

Employee Ownership Can Help Retain Missouri Jobs & Businesses





Agenda

- Silver Tsunami Background
- Brief Employee Ownership Overview
- EOX Model & MOCEO
- Kauffman Foundation Grant & Other Support
- Next Steps in Missouri
- Q&A

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Background

The Silver Tsunami is Coming



Tsunami by Hokusai, 19th century

THE SMALL BUSINESS CLOSURE CRISIS



BABY BOOMERS
OWN ALMOST
HALF OF ALL
PRIVATELY-HELD
BUSINESSES
IN THE US.

Private or Family Held Businesses Account for:

- 64% of US Gross Domestic Product
- 62% of US Employment
- 78% of all US Job Growth
- Vast majority of these firms are Small or Medium sized businesses

6 out of 10 business owners plan to sell their business in the next decade.

As most retire, our local business landscape is about to go through a dramatic shift.



Industry

- Accommodation & food services
- Admin & waste management
- Arts & entertainment
- Construction
- Health care & social assistance
- Manufacturing
- Other industries
- Professional services
- Retail trade
- Transportation & warehousing
- Wholesale trade

project
{EQUITY}



44,230 businesses

Owned by baby boomers



466,700 employees



\$96.7 billion in sales



\$16.8 billion in payroll

EXIT OPTIONS

Internal

- Family
- Partners
- Management
- Employees
- Combination of above

External

- Strategic Buyer
- Financial Buyer

Business Closure

- Auction or piecemeal sale
- Simply Close the Doors

Baby Boomer Owned Business Statistics and Outcomes

- Less than 15% will transfer to next generation (~5% for post 2nd generation)
- 80% of businesses put “on the market” never sell
- External buyers often consolidate to obtain operational efficiencies
- Far too many just close their doors

Results of Plant/Facility Closures :

- Idle Operations
- Loss of investment (Owners)
- Loss of Jobs
- Loss of Tax Base
- Negative Community Impact

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EMPLOYEE OWNERSHIP

Employee Ownership as part of an “Exit Strategy”

- Shareholder(s) sells all or a portion of the business to the employees (widely held, not just a few employees).
- Employees take on ownership as the Selling Owner departs (all or partial).
- Employees assume more responsibilities in the business.
- Employee - owned business are more likely to retain control of their business operations.
- Selling owner can remain involved – short or long term

Studies of Employee - Owned Companies found:

Studies during the Great Recession & COVID 19 Outbreak

- Had fewer closures than conventionally owned businesses
- Laid off fewer employees
- Faster return of their employees back to work
- Fewer wage cuts
- Better overall job retention

Employee -owned Structures

- Employee Stock Ownership Plan, or an “ESOP” – There are about 7,000 ESOPs in the United States
- Employee/Worker Owned Cooperative – There are approximately 600 of these Cooperatives in the US

ESOP

- Is a benefit plan that gives workers or employees ownership interest in a sponsoring company (usually as part of a succession plan).
- Is part of the employee's overall compensation package, which tends to improve engagement.
- Is a qualified retirement plan that can be quite complicated and requires expert support.
- Companies usually need at least 25 employees (often more) and generate over \$1 million of “free cash flow” annually to justify pursuing an ESOP

Employee/Worker -Owned Cooperative

- Employees/Workers buy a Cooperative Member Share – either cash or financed.
- They are entitled to a predetermined percentage of the profits.
- Board elected and major decisions made on a one member one vote basis.
- Selling shareholder can be a cooperative member.
- Selling shareholder retains certain rights until any shareholder notes are retired.

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EOX

EMPLOYEE OWNERSHIP
EXPANSION NETWORK

MISSION OF THE EOX

To significantly expand employee ownership through establishing and supporting independent nonprofit State Centers for Employee Ownership



“EOX puts boots on the ground”

MOCEO



MISSOURI CENTER FOR EMPLOYEE OWNERSHIP



Mission of State Centers

Outreach

State Centers for Employee Ownership can increase the number of employee owners in their state most effectively through outreach and education





The EOX Model

Funding

In the early years, primarily funded through investments by individuals, employee - owned companies, and service providers

Operations

Full - time Executive Director focused exclusively fundraising and outreach/education.
Limited fee for service performed by the State Center

Board of Directors

The makeup of the Board must be carefully selected to keep all partners in the State Center from feeling preferential treatment is being given

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Foundational and Other Support



Missouri Support

Foundational Support

Ewing Marion Kauffman Foundation recently awarded the MOCEO a \$250,000 grant over a three - year period to support specific activities.

Other Groups

EOX and several other organizations, including SRC Holdings, pledged “match” support to help launch the center activities in Missouri and eastern Kansas

EOX and Partners

Support from the EOX and national partners will provide additional educational programs and resources to educate business owners on the appropriate employee ownership options

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MOCEO Three- Year Plan

2021 Programming & Resource Goals

- Participate in the MEDC Conference
- Facilitate Exit Planning Training
- Hire MOCEO Director
- Hire MOCEO Marketing Assistant
- Hold in - person educational sessions
- Develop Website & Other Resources

2022 Programming & Resource Goals

- Complete Market Surveys
- Complete Website and Social Media Development
- Hold webinars and in - person sessions with various partners across the state & eastern Kansas
- Conduct targeted programs with partners
 - RFN Cities Program in Kansas City
 - DAWI SEED Program (Urban underserved)
 - DAWI Rural Program (Rural underserved)

2023 Programming & Resource Goals

- Website & Blogging Activity.
- Continue to hold in - person & webinar educational sessions.
- Continue to expand reach across the state by networking and participating in statewide functions.

Advisory Committee

- 10 to 15 members
- Representatives of Missouri based EO service providers
- Economic development or other local government officials

Volunteers

- Unlimited number
- Anyone who works/worked for an employee - owned company
- Speak at seminars/events
- Support the mission
- Help spread the word

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Q & A

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