

“ALMOST CONVERSIONS, BUT NOT QUITE”



The Stories of Four Attempts at Conversions that Did Not Work: Lessons Learned

Written by Jonathan Silver



We hear more about businesses that succeeded in converting into co-operatives than we do about businesses that did not. Entrepreneurs know that failures are opportunities for learning and growth. In that sense, “failures” are not necessarily failures; they can be pivotal moments when growth continues in new directions. There seems to be a presumption that if we want to succeed, we should look to those who succeeded—not to those who did not. There is, however, so much to learn from others’ mistakes. Learning about others’ struggles can help us with our own.

The following pages contain the stories of four businesses that explored the possibility of converting into co-operatives and then learned that a *business conversion to co-operative* (BCC) would not work for them. A BCC is a way of rescuing a business that would otherwise close by transferring ownership to a group of individuals (be they the employees, the community, the customers, the suppliers, or any combination of stakeholders) whom ultimately transforms the business into a co-operative.¹ The four case studies in this report, illustrating potential BCCs that did not ultimately happen in Canada in recent years, are: a social enterprise restaurant, a cultural hub located in a heritage building, a pulp and paper mill in an industry town, and a small-town grocery store.

¹ For more on what co-operatives are and for further definitions of BCCs, see www.coopconvert.ca.

Each case study begins with a brief background on the business followed by an account of why it was closing, why it decided to try a BCC, how the attempt unfolded, and an analysis of why the attempt failed. While each business failed for idiosyncratic reasons, some common themes emerge: lack of time, leadership, human resources, capital, and knowledge of how to perform a BCC. To close, we will present a brief review of how these cases might inform future BCCs.

Meteor Café Bistro

Restaurants are not merely places for eating; they are like threads that crisscross the social fabric of their surrounding community. As such, restaurants can lend themselves to the co-operative business model. Across Canada, restaurants are closing. We have seen this trend further increase due to the COVID-19 pandemic. Could BCCs be a survival strategy for restaurants?

In 2004, Nicole Guertin and her partner Jocelyn Blais began buying historical homes in the City of Temiskaming Shores, Ontario, and converting them into vacation rentals. Guests loved the beautiful accommodations, but they often mentioned to Guertin the lack of dining options. Guertin, a former community health nurse and self-described “community-oriented person,” and Blais decided to open a restaurant with a social purpose, Café Meteor Bistro (Meteor).²

Guertin had big aspirations for, what she calls, a “Community Restaurant.”³ The restaurant would have a robust social purpose. It would be a locus for community development, social and cultural programs, and environmental action. There would be farmers’ markets, and events for Francophones, newcomers, persons identifying as LGBTQ2+, persons living with addiction, and other populations.

Unfortunately, soon after Guertin and Blais opened Meteor in 2018, they realized that the life of a restaurateur was not for them. Owning and operating a restaurant was more work than they

² N. Guertin, personal communication, December 21, 2020

³ N. Guertin, personal communication, December 21, 2020

had expected. Between scheduling, purchasing, administration, and other operational duties, little time was left for social purpose programming. Guertin and Blais had an idea.

If they converted the restaurant into a co-operative, the labour of running the restaurant and serving community needs would become manageable because it would be distributed among the community. Furthermore, the community restaurant would be truly owned by the community.

The pair decided to form a co-op with their ten employees (i.e., a worker co-op). This meant Guertin and Blais had to educate their employees on how to collaboratively run a business and on the nature of the co-op model. Guertin secured \$10k in funding from Canada-Ontario Job Grant, which she used to hire someone to develop and deliver a four-month leadership training course to prepare the workers for a buyout (i.e., to prepare them to purchase the company). Guertin recalls that some employees had incredible talents that would be useful in running a co-op; however, most employees did not have the well-rounded skills needed to manage all aspects of a business. The technical skills needed in the kitchen are different from the social skills needed in the dining area and the accounting skills needed to balance the books. Furthermore, no employee had both the strong leadership skills and the strong communication skills to become the face of the restaurant. Even with those concerns aside, employees could not afford a \$10k buyout. It became clear that a worker co-op was a dead end.

Guertin and Blais then turned to the community to try and form a multi-stakeholder co-op, that is, a co-operative owned and run by workers, farmers, customers, and other stakeholder groups. With help from the Cooperation Council of Ontario (CCO), the couple called a public meeting to pitch the idea. There was interest and enthusiasm—Guertin and Blais sold two hundred co-op memberships—but there was also scepticism. Residents had little to no knowledge of the co-op model, and Guertin and Blais could not find any case examples to share of what a successful restaurant co-op looks like. The couple found themselves once again working to educate potential members on the co-op model on top of trying to organize the co-op. Guertin recalls that this educational work “sucked our energy.”⁴ The lack of knowledge surrounding co-ops is so

⁴ N. Guertin, personal communication, January 14, 2021

widespread that the couple even found themselves having to explain the co-op model when they sought a loan from Community Futures Canada, a not-for-profit that, according to their website, “provides small business services to people living in rural communities.”⁵

While the community was enthusiastic to have a co-op restaurant, they were not enthusiastic to take on leadership roles and do the work of developing and running a co-op. Understandably, such work would be hard to balance with their day jobs. While Guertin and Blais were fortunate to receive some pro bono guidance from a well-seasoned co-op developer, Russ Christianson, the duo were still doing most of the heavy lifting, which, on top of owning and operating a restaurant, was wearing them down.

Another challenge for Guertin and Blais was finding money outside the operating budget to pay for the conversion (e.g., legal costs). They successfully secured \$20k in seed money from The Procurement & Investment Readiness Fund (PIRF), which would have gone a long way towards converting. Unfortunately, when the Ford government suddenly cancelled PIRF, it was looking like Meteor would not be *open for business* much longer.

When the brewery next door, Whiskey Jack, offered to buy the building, a burned-out Guertin and Blais threw in the towel. The building is now owned by Whiskey Jack and the restaurant owned and operated by a third-party, but not as a co-op.

Taking a step back, it is clear that Meteor’s BCC was unsuccessful for a few key reasons. The process of converting into a co-operative is so confusing and unknown that navigating this process exhausted Guertin and Blais. The pair had to spend a lot of valuable time and resources following dead leads, which could have been avoided had there been a road map to follow. If BCCs were more common and if there were more educational resources available, the pair would have had to spend less time and energy educating the community and other stakeholders. Furthermore, if BCCs were more common, Guertin and Blais could have been able to show the

⁵ Community Futures Network of Canada. (n.d.). Retrieved from <https://communityfuturescanada.ca/>

community an example of a successful restaurant BCC, which could have helped convince community members to take a more active interest in the restaurant's conversion.

Guertin and Blais' exhaustion could have also been alleviated if there were more governmental supports and financial resources available. If Guertin and Blais had access to grant money, they could have hired a full-time co-op developer to help with all the heavy lifting. Instead, the pair was owning and operating a business while also spearheading its conversion, which is exhausting to say the least.

Additionally, Ryan Collins-Swartz, the co-director at Tapestry Community Capital, a not-for-profit that helps businesses raise and manage community bonds (i.e., a vehicle for community investment), met with Meteor during the preliminary stage of a community bond raise (he also connected with The Finlandia Co-op mentioned below). Collins-Swartz notes that it can be a challenge in a small city (Temiskaming Shores is the second smallest city in Ontario) to gather the information and perform the legwork needed to convert.⁶ To his point, Guertin and Blais only learned about Tapestry during a trip to Toronto, which is over five hundred kilometres away. If Collins-Swartz is right, then it is crucial to find ways that resources can be equitably accessed to help any Canadian business with their conversion wherever they are located.

The Finlandia Association

Historic buildings can be essential to the social fabric of a community. Old buildings are bastions for history and culture, and their typically low rents make them ideal locations for businesses that prioritize culture over profit. If historic buildings are important to their communities, can a BCC help a community save an historic building from going under?

The Finnish Labour Temple in Thunder Bay, Ontario was a beloved building that was home to, arguably, an even more beloved restaurant—Hoito. The building, completed in 1910, had

⁶ N. Guertin, personal communication, January 14, 2021

recently been designated a National Historic Site because of its significance for Finnish immigrants and its role in Canada’s Labour Movement.⁷ In the basement of the Temple, Hoito had been operating since 1918, serving hearty Finnish fare to feed foresters, locals, and visitors. (Hoito was originally established as a co-op, but it later demutualized in 1974).

In 2018, The Finnish Labour Temple, owned by the Finlandia Association of Thunder Bay (a not-for-profit), was functioning as a low-cost venue for community and cultural events. Hoito was the cash cow that the Finlandia Association used to subsidize low-cost rentals of the events hall upstairs.

Hoito was a bustling restaurant, but over the last decade it began to see its revenues dwindle. In 2008, the restaurant was taking in \$2M in revenue, but ten years later, this number had almost halved. Paula Haapanen, a first-generation Canadian with Finnish roots and a former board member of the Finlandia Association (2016–2018), explains that the combination of new restaurants opening around the city and a culture shift caused the downturn in business.⁸ Internet reviews point to another reason for the drop in sales: there was a purported decline in quality, service, and value, and the décor was out of date.

Unfortunately, a few years before this drop in business, in 2010, the Finlandia Association had taken out loans to renovate the century-old building. When business downturned, the Finlandia Association struggled to service its loans on top of usual expenses. In 2015, “the association was more than \$700,000 in debt and the club and restaurant were at risk of closing down”.⁹ They managed to scrape by for the next five years—then COVID hit.

In March 2020, the Finlandia Association defaulted on a (roughly) \$2,000 loan payment to the Royal Bank of Canada (RBC). As RBC was not willing to defer payment and the Finlandia Association was not able to generate revenue due to COVID, the association could either declare

⁷ Canada’s Historic Places. (n.d.) *Finnish Labour Temple National Historic Site of Canada*. <https://www.historicplaces.ca/en/rep-reg/place-lieu.aspx?id=18724>

⁸ P. Haapanen, personal communication, December 18, 2020

⁹ Finlandia Association’s finances in much better shape after near collapse (2015, April 20). *CBC News*. Retrieved from <https://www.cbc.ca>

bankruptcy or liquidate their assets to repay the loan. By the end of May, members of the Finlandia Association voted to liquidate. Haapanen thought that a BCC may be a way to save the building. The plan was to sell off the assets, repay the loan, form a co-op, and then repurchase the assets. In other words, the Finlandia Association would be performing a BCC to recover assets it had liquidated.

The pressure was on and there was no time to spare. A small group of dedicated volunteers decided to pursue establishing a co-operative. The Finlandia Co-operative of Thunder Bay Inc. was incorporated in under three weeks thanks to the help of local MPPs who sped up document processing. Fortunately, Haapanen happened to be working as a co-op developer for CCO and her Executive Director, Julien Geremie, encouraged her to spend some of her work time on the Finlandia BCC as it fit in to her responsibilities of supporting community economic development. This was a boon for the Finlandia Co-op; not only was Haapanen effectively salaried to perform the conversion, she had access to her colleagues' knowledge and guidance.

When a local community member, Lyndsay Williams, launched a GoFundMe campaign, there was enormous enthusiasm.¹⁰ The campaign quickly raised almost thirty thousand dollars, which was not enough to buy back the building, but it could help.

Haapanen recalls the interim board spending long, exhausting days trying to find a viable configuration to buy the building. They considered taking a loan from The Fair Finance Fund, but the co-op decided that it would try to secure funds that had a lower interest rate.

In July, Haapanen met with Collins-Swartz from Tapestry Community Capital (mentioned earlier). He recalls the board's sense of urgency as they needed to raise almost a million dollars in a few months, which did not seem viable since merely launching a community bond raise can typically take anywhere from 3-6 months.¹¹ He suggested finding a short-term financing solution (such as member loans or commercial financing), which could be repaid in the future with funds from a community investment campaign.

¹⁰ Save the Hoito. (May 21, 2020). Retrieved from <https://ca.gofundme.com/f/save-the-hoito>

¹¹ R. Collins-Swartz, personal communication, January 14, 2021

When four social entrepreneurs who were interested in buying the building approached the interim board, things started to look promising. Unfortunately, the deal fell through due to uncertainties around what potential repairs would have to be made to the 100-year-old building. The deadline to put in an offer on the building passed and it was bought by a real estate agent 1,300 kilometers away in Barrie, Brad McKinnon.

The future of the building, according to McKinnon, is to “get the Hoito Restaurant up and running again” and turn the rest of the building into “high-end apartments.”¹² The Finlandia Co-operative is working on a lease agreement with McKinnon to operate the Hoito in the day and then use the restaurant as a community space in the evening.

Why was the Finlandia Co-op’s attempted BCC unsuccessful? The main issue, explains Haapanen, is that they had a small window of time (May 25 – August 12) to create a co-op, raise money, and buy the building. This time pressure was worsened by COVID, which slowed-down the conversion and made the process more cumbersome. As explained earlier, a BCC can take up to two years, and so time pressure was a clear barrier in this case. Haapanen and her colleagues had some hope that a member of the Finnish community with a strong connection to the building would come forward and help buy the building, but this never happened.

Collins-Swartz agrees that for The Finlandia Co-op, “the main barrier was time.”¹³ He explains that “sometimes people don’t know when they are going to close....But if you have time to build a team and community, [community bonds] can be very powerful. But it takes time to get to that point....”¹⁴ Then again, it is unknown whether the money raised through GoFundMe accounted for all the good will and finances that the community was able to offer. In other words, it is still possible that there were not enough assets in the community to buy back the building.

¹² Diaczuk, D. (2020, September 25). UPDATED: Finnish Labour Temple to undergo changes with new owner. *Tbnewswatch.com*, Retrieved from <https://www.tbnewswatch.com>

¹³ M. Frost, personal communication, January 14, 2021

¹⁴ M. Frost, personal communication, January 14, 2021

The Eurocan Pulp & Paper Co.

Industrial towns depend on their factories; if their factories close, the livelihood of the residents could be in jeopardy. For this reason, industrial towns that face a factory closure would seem to be an amenable climate for a BCC since the local community is united by a common cause and looming hardship.

On October 27, 2009, the Eurocan Pulp & Paper Co. in Kitimat district of British Columbia had over five hundred employees and was the second largest employer in the district. For forty years, the mill had been producing kraft paper and linerboard (materials used for making cardboard). The following day, the mill's parent company, West Fraser Timber Co. Ltd, announced the Eurocan mill would be closing in three months.

The mill was closing because it was no longer economically viable, according to West Fraser. Hank Ketcham, the president of West Fraser said, "Unfortunately, even with the most optimistic projections, the business fundamentals of the operation have deteriorated to the point where permanent closure is the only reasonable alternative."¹⁵ Indeed, over the preceding years, the price of raw materials had increased due to sawmill shutdowns and curtailments and product selling prices had decreased due to international competition.

But what counts as economically viable for a private business (i.e., maximizing profits) is not necessarily the same as a co-op (i.e., meeting the needs of its members). In other words, a private business might not make the big bucks needed to satisfy shareholders, but it might make enough money as a co-op to satisfy members. Therefore, could the mill be economically viable as a co-op?

Right after West Fraser's announcement, leaders of the Communications, Energy and Paperworkers (CEP) Union contacted the Canadian Worker Co-operative Federation (CWCF) and the BC Co-operative Association (BCCA) to discuss the possibility of a BCC.¹⁶ These organizations

¹⁵ West Fraser to permanently close Eurocan operation in Kitimat, B.C. (2009, November 3). *Pulp & Paper Canada*. Retrieved from <https://www.pulpandpapercanada.com/>

¹⁶ Community rallies to save Eurocan mill. (2010, August 1). *Pulp & Paper Canada*. Retrieved from

banded with FWC Development Cooperative, a worker co-op composed of co-op developers. Within a few weeks, several co-op developers, including Marty Frost, got working to save the mill. Around this time, the mill's workers and community residents created the Eurocan Industrial Viability Group (EIVG) to look further into a potential BCC. A large part of any co-op conversion is education. On December 15, the BCCA's co-op developers visited Kitimat to educate stakeholders on what a BCC is and how it all works.

Things were looking good. The residents of Kitimat were clearly enthusiastic about the potential conversion. The BCCA held a public meeting and over five hundred residents turned out.¹⁷ Within a week, they raised \$100k to help finance the BCC. Given this display of interest, Mary Murphy, a CEP local President, believed it made sense to prepare the ground for a BCC by creating a cooperative, Northwest Lumber Mill Co-op.

A feasibility study was commissioned to determine whether the mill could operate under new ownership and be profitable, which found the mill could indeed be economically viable.¹⁸ In other good news, while the mill would close on January 31, it would not be dismantled until the summer and so there would be more time to work on the BCC.

By May, Frost described the conversion efforts as "moving along."¹⁹ One month later, however, it appeared to Frost that the conversion had "stalled" for two reasons.²⁰ First, the union had "pulled back."²¹ Frost had the impression that "there was info we didn't have access to;" it appeared that there was another plan for the mill's site which was not being openly discussed.²² Second, Northwest Lumber Mill Co-op did not have a detailed enough financing plan and, according to Frost, the \$100k they raised was not much considering the mill had a roughly \$135M

<https://www.pulpandpapercanada.com/>

¹⁷ Eurocan viability group releases co-op structure. (2010, Jul 14). *The Northern Sentinel* Retrieved from <http://www.proquest.com>

¹⁸ Eurocan viability group releases co-op structure. (2010, Jul 14). *The Northern Sentinel* Retrieved from <http://www.proquest.com>

¹⁹ M. Frost, personal communication, February 5, 2021

²⁰ M. Frost, personal communication, February 5, 2021

²¹ M. Frost, personal communication, February 5, 2021

²² M. Frost, personal communication, February 5, 2021

price tag. Furthermore, this price tag did not include the rights to the access roads to the mill nor any environmental decommissioning expenses, which would complicate business and finances for Northwest Lumber Mill Co-op even if they could afford the mill. In any case, it seemed like Northwest Lumber Mill Co-op could not afford the mill. Membership in the co-op might require workers and community investors to pay as much as \$25k to buyout, which was not something everyone could afford.²³ This challenge became exacerbated by the co-op's inability to find a partner who would make a substantial contribution towards buying the mill.²⁴

The co-op could not meet the July 15 deadline to put a down payment on the mill and so they lost their opportunity to purchase the factory. One year later, on July 14, 2011, Kitimat LNG (liquefied natural gas), a project of the Chevron Corporation, “announced that it has entered into an agreement to purchase the former Eurocan industrial site...from West Fraser.”²⁵ According to Chevron's project overview, it appears that they were planning to purchase the site before—and therefore during—the attempted BCC: “The Kitimat LNG project has been under development since 2008 and received its federal Environmental Assessment...approval in December of that year. The project's provincial Environmental Assessment approval was granted in January 2009.”²⁶

A number of key findings explain why the Northwest Lumber Mill Co-op's attempted BCC was unsuccessful. First, Frost explains that one ingredient in a successful worker buyout BCC is an owner whose motives for selling their business go beyond profit. Such an owner would be interested in smoothing the sale process, which is crucial when time is of the essence. Frost wonders if various steps towards conversion (e.g., running a feasibility study) could have happened sooner if West Fraser wanted to sell to the workers. Also, Frost explains that “advance planning is a key factor in making the transition work. There are a number of measures which,

²³ McFarlane, W. (2010, July 15). On Saving Eurocan. *Terrace Daily Online*, Retrieved from <http://www.mwpr.ca>

²⁴ Damonse, A. (2010, Jul 21). Eurocan deposit deadline passes without sale. *The Northern Sentinel* Retrieved from <http://www.proquest.com>

²⁵ West Fraser. (2011, July 14). *Press Release: Kitimat LNG to purchase Eurocan industrial site*. (2011, Jul 14). Retrieved from <https://www.westfraser.com/investors/news/news-releases/km-lng-purchase-eurocan-site>

²⁶ Chevron Canada. (n.d.) *Project overview* [Press Release]. <https://canada.chevron.com/-/media/canada/our-businesses/documents/kitimat-community-news/klng-june-dec-2017-open-house-all-boards.pdf>

with some notice, could be put into effect with advantages for both the worker co-op purchaser and the selling owner.”²⁷

Second, that a district of 8,000 people was able to raise \$100k in a matter of weeks is an impressive demonstration of community support. But enthusiasm and motivation cannot alone fuel a BCC; there needs to be sufficient capital. Money is important for funding the BCC’s expenses and paying salaries for people who can devote the enormous amount of time that could be needed in a BCC.

Third, systemic barriers can hinder a BCC. Frost explains that laws and union agreements are not always set up to facilitate a conversion. Eurocan only had to give 90 days’ notice before shutting its doors. A conversion of this size could only have been successful if it had more time to organize. Furthermore, when business dealings happen in confidence and when permissions are needed to perform assessments (e.g., a feasibility study) for a BCC, precious time is lost. These three issues may point to potential governmental policy changes or to clauses that should be integrated into union collective bargaining that could make BCCs more feasible.²⁸

Earlton Grocery King

When a small town loses its grocery store, it loses more than just a place to buy groceries; it loses access to food, jobs, local wealth, and a gathering place. If residents are forced to drive outside the town to get groceries, then those who cannot drive (often elderly people) lose independence and autonomy. And if the grocery store outside the town is one of Canada’s grocery giants, then local wealth will be siphoned out of the community. Despite these consequences, small town grocery stores are closing across Canada.

²⁷ M. Frost, personal communication, March 30, 2021

²⁸ M. Frost, personal communication, February 5, 2021

The co-operative model has proven effective for grocery stores; there are nearly 100 food co-operatives in Canada.²⁹ But could a grocery store avoid closing by converting into a co-operative? This mini-case study looks at one grocery store that unsuccessfully tried a BCC.

In 2018, Earlton Grocery King had been operating for 60 years in the village of Earlton, serving the 1,200 residents of The Township of Armstrong in north Ontario. Grocery King was more than just a place for groceries, it functioned as a community hub; for example, residents used its parking lot as a carpool pick-up/drop-off, an official and informal meeting spot, and hub for official and informal networking.

After Grocery King announced it was closing in May 2018 due to low sales, The Cooperation Council of Ontario (CCO) reached out and offered assistance in converting into a co-operative. CCO seems to have been inspired to reach out to Earlton because of their success in assisting another grocery store's BCC in 2012, l'Épicerie coopérative de Moonbeam. According to the CCO, the benefits of a BCC would mean that profits from the grocery would be redistributed to the community and there would be an incentive for residents to shop locally.³⁰

That winter, CCO organized a town meeting. 150 enthusiastic residents packed into a community centre for an information session on the co-operative business model and how a BCC could save the store. Speakers at this session included representatives from the CCO, Earlton Grocery King, The Township of Armstrong, and Moonbeam.

After the meeting, CCO surveyed the community to gauge interest in a BCC. Results showed that the community was enthusiastic for a BCC; around 12% of residents filled out the survey and most responses were in favour.³¹ City council decided to strike a committee to move forward. Residents were eager to be on this committee, with 35 individuals applying for the 11 spots.

²⁹ Food co-ops and associates. (n.d.). Retrieved from <https://www.grocer.coop/coops>; La Fédération des coopératives d'alimentation du Québec (2020). Retrieved from <https://fcaq.coop/le-reseau/>

³⁰ Senga, B. (2018, August 21). Un projet d'épicerie coopérative franchit une nouvelle étape. *Radio Canada*, Retrieved from <https://ici.radio-canada.ca/>

³¹ Senga, B. (2018, August 21). Un projet d'épicerie coopérative franchit une nouvelle étape. *Radio Canada*, Retrieved from <https://ici.radio-canada.ca/>

On September 12, 2018, CCO announced that the Temporary Action Committee for the Co-operative Grocery Project in Earlton had been formed.³² Members would “research and determine the possibility of opening a co-operative grocery store to serve the 1,200 residents in the village of Earlton.”³³ The committee would work with the CCO, who would conduct a feasibility study to figure out the details of the business model. They would also receive training from CCO on BCC. Shannon Wittmaack, a resident of Earlton and the President of the committee, described its members as “the most amazing group of go-getters that you could possibly fathom.”

³⁴ Things were looking good.

But as the committee got working, they ran into various hurdles. First, when they surveyed the community to get a sense of how much revenue the store could generate, they learned that residents were not inclined to spend more money at the new store than they had at the old store. The reasons for this were high cost, lack of selection and availability, and convenience of being close to other shopping options.

Earlton had undergone a culture shift in the last 60 years. A town that was a place where people lived and worked had transitioned into a town where people live but leave for work and recreation. When residents left Earlton, they shopped at the various big-name retailers in the nearby towns of New Liskeard and Englehart (located fifteen to twenty-five kilometres away). Shopping outside the town was convenient and it gave residents access to a greater variety of products at lower prices.

Based on this information, the committee realized that for the new store to make financial sense, it would need to be a multi-purpose centre (which was part of Moonbeam’s recipe for success). This led the committee to their second hurdle: To accommodate a multi-purpose space, they

³² Senga, B. (2018, June 28). Le modèle de gestion coopératif exploré pour une épicerie du Nord de l’Ontario. *Radio Canada*, Retrieved from <https://ici.radio-canada.ca/>

³³ Conseil de la coopération de l’Ontario. (2018, September 12). *The Co-operative Grocery Store Project in Earlton Creates an Action Committee* [Press release]. Retrieved from <https://www.armstrongtownship.com/index.php/town-hall/by-laws/information/345-cooperative-press-release-september-2018/file>

³⁴ S. Wittmaack, personal communication, October 13, 2020

would need to renovate or move, and both options were too expensive (moving was especially problematic because any new location would be inconvenient for residents who could not drive).

The third hurdle was that there seemed to be errors in their business model. Revenue projections seemed overinflated and it was beginning to look like a grocery co-op would not be financially viable.

Some committee members, feeling overwhelmed and lacking the knowledge to untangle themselves from the numerous logistical problems in the BCC, stopped showing up to meetings. In March, the committee received the CCO's feasibility study and decided that a BCC was not feasible. They dissolved the committee after suggesting that another working group be created to find alternate ways to get food to the community.³⁵

In April 2020, the grocery store building was jointly bought by the Earlington Lions Club, the Community Foundation of Timiskaming, and the Golden Age Club of Earlington.³⁶ Although Earlington will not be getting its grocery store back, the building will continue to serve as a community centre.

While the Action Committee was not successful in saving the town's grocery store, their attempt to convert into a co-op is nevertheless a story of success. After taking the initial steps towards converting, the committee determined that a conversion would lead to greater economic hardship in the future than if they were to abandon the conversion altogether. Of course, a significant amount of time and money was invested in pursuing a BCC, but unfortunately, sometimes it takes significant resources to determine that a business idea is inviable.

With that in mind, the Earlington BCC was not viable for a few reasons. First, converting into a co-op cannot alone save a dying business; there needs to be a business opportunity. The opportunity in Earlington was not worth the cost of converting. It was simply too expensive to buy the grocery

³⁵ Senga, B. (2019, July 22). Abandon d'un projet d'épicerie coopérative dans le Nord. *Radio Canada*, Retrieved from <https://ici.radio-canada.ca/>

³⁶ Mountain, J. (2020, Sep 30). Former grocery store becoming a community hub. *The Canadian Press*, Retrieved from <http://www.proquest.com>

store, renovate it, and service interest on loans. This difficulty was worsened by overinflated revenue projections.

Even if the grocery store could be financially viable, a second issue was that the committee was not able to attract sufficient community investment. Wittmaack remembers that the residents who were interested in the BCC were not “big ticket holders.” Not having the capital to afford a BCC is a trend that shows up in many of the unsuccessful BCCs mentioned earlier.

A third issue was that the impetus for conversion was that another apparently similar grocery store, Moonbeam, had undergone a successful BCC. If they could do it, couldn't Earlton also do it? But according to Wittmaack, Moonbeam was too dissimilar from Earlton to have been informative.³⁷ For example, Moonbeam, although it is a smaller town than Earlton (which indicates that Earlton might see more success than Moonbeam), has a large seasonal population influx while Earlton does not. If anything, Earlton's population decreases in the summer when residents go on vacation. This is a crucial point; the success of one business might not indicate the success of another business if the two businesses share key dissimilarities.

A fourth barrier was that there were not enough human resources for the conversion (a trend we also saw with Meteor and Finlandia). People on the committee had other jobs and being on the committee was “a volunteer position, without remuneration” and they were expected to “meet bi-weekly for a term of approximately one year.”³⁸ Since a BCC can take an enormous amount of time and effort, financial resources are important for supporting community members beyond their volunteer capacity. Wittmaack thinks the BCC may have seen success if they had “someone semi-retired to invest all their time and energy into [the conversion].”

A fifth barrier was navigating the BCC process. While committee members had business experience, they did not have enough knowledge and experience to navigate a transaction this

³⁷ Rencontre pour sauver l'épicerie du village d'Earlton (2018, June 18). *Radio Canada*. Retrieved from <https://ici.radio-canada.ca/>

³⁸ Corporation of Armstrong Township. (n.d.). *Temporary Action Committee Grocery Co-Operative in Earlton Call for Committee Members*. Retrieved from <https://www.camerongraphics.net/index.php/town-hall/by-laws/information/339-action-committee-member-process/file>

complex. Wittmaack believes that they needed more guidance and leadership from the co-op developer (which would have required having funds to pay for more assistance). She thinks that members on the committee were “go-getters” but they needed clearer direction on the steps and the sequence of steps required to develop and operate a BCC.³⁹ It was too difficult to navigate the complexities of finding investors, selling shares, arranging loans, buying a building, creating a board, approaching the bank, and so forth. The committee kept spinning their wheels trying to navigate these interconnected problems. In the end, Wittmaack recalls, “It seemed as though the committee was in a perpetual stall near the end because there seemed to be no accurate and rational process that we could all agree upon.”⁴⁰

Lessons from Four Cases of “Almost a Conversion, But Not Quite”

Based on the four “almost conversions, but not quite” cases discussed above, below are a few general findings that anyone pursuing a BCC should consider.

Canadians lack widespread public awareness and understanding of the co-operative business model.⁴¹ This is even more so the case with BCCs. As a result, a barrier faced by the BCCs mentioned above is educating everyone involved in a conversion what a co-op is and what a BCC is. It takes significant resources to do this educational work, and this can hamper the BCC. In Kitimat, co-op developers had to do significant work to educate the unions and then to educate the factory workers. With Meteor, Guertin and Blais spent many hours teaching their staff, community, and even local business developers about the co-op model. If there were more widespread awareness of the co-operative business model and BCCs, or even easily accessible educational resources, there would be one less barrier in performing a BCC.

³⁹ S. Wittmaack, personal communication, October 13, 2020

⁴⁰ S. Wittmaack, personal communication, March 30, 2021

⁴¹ For further evidence of this from The Conversion to Co-operatives Project (www.coopconvert.ca), see: Vieta, M., Tarhan, D., Duguid, F., & Guillotte, C.A. (2021). *Canada’s SMEs, Business Succession, and Conversion to Co-operatives*. Co-opConvert Report No. 1. <https://tinyurl.com/8jdrctcmd>

Enthusiasm, even in the greatest proportions, is not alone sufficient for a successful BCC. In addition to having enthusiasm, there needs to be a person or a group of people with the time, energy, resources, skills, knowledge, and leadership to make the BCC happen. The Northwest Lumber Mill Co-op had enormous enthusiasm, but not enough time and money; Meteor was spearheaded by the relentlessly enthusiastic Guertin and Blais, but the conversion effort was lacking community members with leadership and business skills; Earlton's committee was supercharged about the idea of having a new grocery store, but they could not come up with a realistic business plan; and The Finlandia Co-op were dead set on saving their building, but they were short on time and access to capital. Contrary to the adage, with a will, there is not always a way.

Financial pressure can be a barrier to conversion. With more financial resources, Northwest Lumber Mill Co-op may have been able to purchase the Eurocan mill, and The Finlandia Co-op could have paid their debts and bought back their building. While it may be easier said than done, a conversion is in a better position to succeed if there is knowledge at the outset of how much money will be required for the conversion and where that money is going to come from. On that note, if a BCC will require a worker or community buyout, then the workers or community members must have the capital for that buyout. Workers at Eurocan and Meteor would have struggled to buy out the business.

Time pressure can be a significant barrier in a BCC. Both Northwest Lumber Mill Co-op and Finlandia Co-op could not raise enough capital before their deadlines. It is important to note that both businesses decided to try a BCC precisely because they were under extreme pressure to save their businesses. While a BCC is appealing as an emergency mechanism to save a business from going under, it is these very emergency conditions, specifically time pressure, that can hamper the BCC. But even if there is no looming deadline, as Guertin and Blais experienced, time pressure can still arise as the resources allocated for a BCC begin to run dry.

Accessing labour resources was a barrier for all the four cases (which can result from a lack of access to financial resources). For a BCC to succeed, there needs to be someone or some people who can do the work of converting. While Eurocan was fortunate to have co-op developers

working full-time on the conversion, Guertin and Blais did not, so they spent much of their own time on the BCC and this took a toll on them. In the case of Earlton, although there was a large committee working on the conversion as well as paid help from the CCO, committee members had day jobs and were working long hours without pay.

Converting into a co-operative is not a straightforward process and so having an expert guide can save a business a lot of time, energy, and money. The Northwest Lumber Mill Co-op had the benefit of working with co-op developers, but Guertin and Blais were exhausted by the conversion process, particularly from following dead leads. As was the case with the committee in Earlton, even with help from a co-op developer, one might realize that they need to enlist even more help.

Relying too heavily on case studies to inform one's own BCC can be tenuous since each BCC is unique. However, by approaching these cases with care and caution, those involved in BCCs may chart an easier path to conversion, a path that, hopefully, leads to success. As BCCs become more common in Canada, there will be increasingly more lessons to share on how to successfully complete a BCC.