

Tuesday, January 21, 2025

Re: City of Toronto Budget Subcommittee

Good afternoon, and thank you to the esteemed members of the Toronto Budget Subcommittee. My name is Randall Baran-Chong, CPA, CA, and today I sit before you as CEO of BizBridge, an AI company that is helping business owners navigate history's greatest transfer of business ownership and as the Founder of NorthstarDAO, a non-partisan non-profit that advocates for emerging tech founders. I am offering a unique perspective, as I interface with both the leading-edge technologies (AI), while speaking to the traditional mom-and-pop small business owners in Canada and around the world. I've spoken on the subject for the City of Toronto's Small Business Enterprise Centre, various BIAS, and chambers of commerce across the Province.

I want to set the stage for a scenario - one that can play out as a once-in-a-generation opportunity for abundance, or as chaos for our society, economy, and communities.

In the 1920s, my grandfather left China to seek a new life here in Canada - living his version of the Canadian dream, by starting the Manhattan, then Americas restaurant feeding hungry customers coming out of Elm Street's bus station next door. But when it came time for him to retire in the 1960s, none of his sons wanted to take over the business, so he sold it to another man who ran it into the ground after a few years leaving 75 employees in jeopardy.

While this is my family's story, it's by no means unique, because we are facing a "succession tsunami", where according to the Canadian Federation of Independent Business (CFIB), 76% of small business owners plan to exit their companies within the next decade, representing 1.2 million businesses. This unprecedented shift is primarily driven by aging baby boomers reaching retirement age, with 75% citing retirement as their reason for exiting.

However, a staggering 91% of these owners do not have a formal succession plan in place. As Corinne Pohlmann, Executive Vice President of the CFIB stated, "It's essential for business owners to have a well-planned exit strategy. With over \$2 trillion set to be in play in the next 10 years and only a fraction of business owners having a formal succession plan, the risks of improper planning can be big".

But herein lies the opportunity - one generation's exit, is a new generation's opportunity to own - it's far easier for them to take an existing, cashflowing business than start one from scratch. But it requires planning. Governments around the world, in other provinces such as Quebec, BC, and Atlantic Canada have setup organizations, committed funding, and providing services to support these transitions - from match funding of \$2,500-\$25,000 for transition advisory services to buyer matchmaking to funding upskilling of teams to lead. The City needs to take action in a similar suit, lest we risk destabilizing our local economies, create streets lined with empty storefronts, franchise-ification of our community, forgone tax revenues, and the loss of thousands of jobs over the next 10 years.

At BizBridge, we're wielding AI to make it easy and accessible for such planning, because we believe technology can be empowering, rather than destructive, despite fearmongering of AI. But like any technology, like splitting the atom - it can create massive destructive forces, or it can power entire cities, as it does in Pickering.

Now is the time we must acknowledge the evolving landscape shaped by artificial intelligence (AI) - an exponential technology that waits for no one - certainly not the pace of bureaucracies and regulators. The 2050 horizon for artificial general intelligence - the ability for AI to meet or exceed human cognitive capabilities by some pundits is naive; those building in the industry believe the window is far shorter - 10, 5, or even 3 years. While AI promises efficiency, innovation, and can unlock new prosperity for everyday Torontonians, it can pose significant challenges to the way we know employment today. Projections indicate that AI could replace approximately 92 million jobs by the end of 2030, while simultaneously creating 97 million new roles, leading to a net gain of around 12 million jobs globally. The ChatGPT model 4 you play with today has roughly the intelligence of an undergraduate researcher; meanwhile Sam Altman, CEO of OpenAI was in Washington DC this week demonstrating a consumer-ready "super AI agent" with PhD-level intelligence. This underscores the urgent need for immediate action in workforce development and retraining initiatives.

However, this transition will not be uniform; certain groups will face more immediate challenges than others. Who Will Be Most Affected?

1. **Administrative and Support Roles:** roughly 500,000 positions in Canada such as administrative assistants and customer service representatives are particularly vulnerable to automation.
2. **Manufacturing Workers:** Reports suggest that as many as two million manufacturing jobs could be displaced in North America by 2025 due to automation and AI advancements.
3. **White-Collar Jobs:** A study by Goldman Sachs indicates that nearly two-thirds of jobs in developed economies are exposed to some degree of AI automation, affecting upper-middle income educated professionals.
4. **Low-Income Workers:** Those in low-wage sectors (roughly 20% of the employment base or 3M people nationally) may find themselves disproportionately impacted, as AI tools increasingly take over tasks traditionally performed by humans. We see the kiosks in fast food as an obvious example.

The economic ramifications of these changes are staggering. AI is projected to contribute an estimated \$15.7 trillion to the global economy by 2030, fundamentally reshaping industries and job functions. However, without proactive measures, we risk leaving behind those who cannot adapt quickly enough to this new landscape, while at the same time risking the opportunity to

capture that economic uplift. While the Federal government has its Pan-Canadian AI Strategy and committed \$2.4Bn in funding for the technology, it has committed a mere \$50M for Sectoral Workforce Solutions Program. We need to follow-suit at the local level to understand how we prepare our society, jobs, and economy for this future - and need a whole-of-government approach - from digital infrastructure, to jobs, to public safety and beyond to harness AI for Toronto's benefit, responsibly.

In conclusion, as you deliberate on the 2025 budget, I urge you to think in the long-run, to put us on the trajectory of the right side of societal and technological change, by prioritizing investments in:

- Succession Planning Support: Establish and fund programs that assist small business owners in developing formal succession plans in partnership with provincial government to build a model akin to that of Quebec or British Columbia;
- Develop and fund the development of an AI Strategy for Toronto: convening industry experts, community members, academics, and political leadership to understand the economic, workforce, and infrastructure impacts;
- Job Transition Programs: re-evaluate job transition program funding to implement initiatives aimed at retraining workers displaced by AI and automation.

By taking these steps now, we can safeguard our economy's future and ensure that Toronto embraces these disruptions as opportunities, and not as cataclysms.

Thank you for your attention, and I would be happy to follow-up with the Committee on these recommendations. I pray that Toronto seizes the reins of its future and puts itself on the pathway to prosperity.

Randall Baran-Chong

Founder and CEO, [BizBridge.io](http://www.bizbridge.io) ([www.bizbridge.io](http://www.bizbridge.io))

Founder and Lead Steward, [NorthstarDAO](http://www.northstardao.com) ([www.northstardao.com](http://www.northstardao.com))

### **About the Organizations**

BizBridge is an owner-first, Toronto-based startup supporting history's greatest transfer of business ownership with its AI-powered platform, helping business owners make their exit easier, faster, and more affordable than ever.

NorthstarDAO is a Canadian non-partisan, non-profit organization advocating for emerging technology startup founders through education, research, and engagement with policy and regulators and all three levels of government.



## The Succession Tsunami:

*destructive wave or rising tide to lift all boats?*

### City of Toronto Budget Subcommittee

Randall Baran-Chong, CPA, CA

**Founder and CEO, BizBridge**





## Summary

- Succession planning is critical to enable business continuity in planned or unplanned exits;
- Only 9% of small-to-medium businesses (SMBs) have a formal, written succession plan
- Bad planning can result in the closure of businesses, loss of jobs, and erosion of communities
- Other jurisdictions including Quebec, BC, and Atlantic Canada have invested in succession planning
- **Recommendation:** the Government of Ontario and City setup analogous funds to subsidize succession planning for SMBs in Ontario



The succession tsunami:

# 10 years

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**>76%**

**Exiting owners**



**1M**

**SMBs**

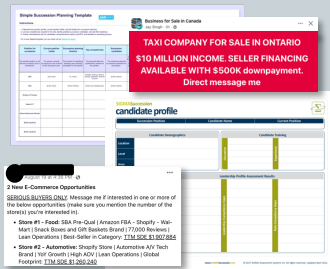


**\$2T**

**value**

in Canada

# No easy exit



**Do-it-  
Themselves**

**10%**

have an  
exit plan



**Business  
Broker**

**15%**

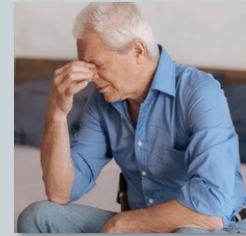
success  
fee



**Close**

**\$0**

value



**The '4Ds'**  
death, disease,  
divorce,  
disagreement

**68**

median  
age

Based upon Canadian Federation of Independent Businesses (CFIB) and US Small Business Administration survey data; BizBridge interviews with SMB Owners, M&A Professionals, Brokers

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**Who** has a succession plan<sup>1</sup>?

**9% have a formal plan**

45% have an informal plan,  
46% have no plan

With a formal plan,

**91% feel confident**

(vs. 59% confident with no plan)

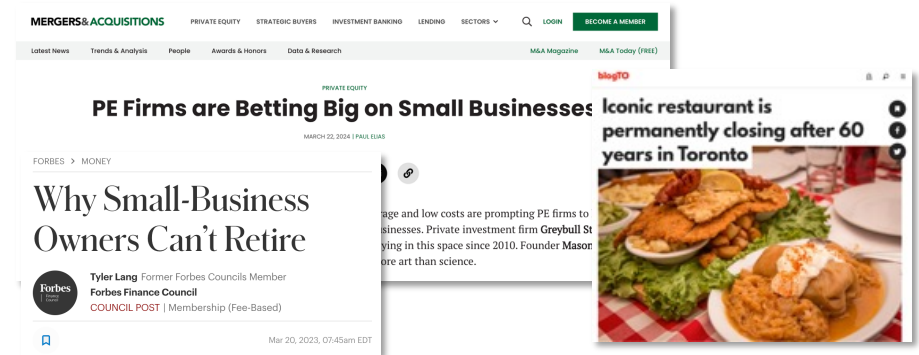
1 – Source: Canadian Federation of Independent Businesses (CFIB), “The Succession Tsunami”

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# The potential costs of failure



In Japan, business owners have **given away businesses for free** in order to preserve legacy; this had led to government intervention

Poor planning can underequip in negotiations and valuations vs. skilled private equity (**reducing retirement savings**), or **outright closure & job losses**

1 - New York Times, "Japan's Business Owners Can't Find Successors. (https://www.nytimes.com/2023/01/03/business/japan-businesses-succession.html) 2- BizBridge observations from discussions with current sellers and post-exit sellers as well as professional advisors

# What does a succession plan span?

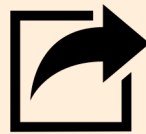
## Succession Planning

### Today



- Goalsetting
- Value-optimization
- Leadership & team
- Process & practice documentation
- Plan & execution

### Exit



- Identify new owner
- Structure price and deal terms
- Tax optimization

### Transition



- Communications
- Handover
- Training and support
- Measurement & incentives

**When** should you make a succession plan?

**“The best time to plant a tree is 20 years ago; the second best time is **now**”**

- Chinese Proverb

Estimated time to **transition**<sup>1</sup>:

**<2 years**

VS. **actual time:**

**3-5 years**

# Why make a succession plan?

## Increase Business Value



- Long-term, sustainable business
- Make ownership 'turnkey'

## Contingency & Resiliency



- 4Ds: death, disease, divorce, disagreement
- Train and build 'depth'

## Reduce Disruptions



- Make handovers easy
- Maintain consistency, quality

## Preserve Your Legacy



- Codify your values and vision
- Express yourself post-ownership

# Other jurisdictions are investing in succession



Overview	Quebec provincial body providing personalized assistance to small businesses including workshops, networks, and subsidies. Supported >5,200 SMB (\$7Bn in business value) in planning and transfers	Provides loans for business acquisitions or partner buyouts; and develops toolkits, provides advisory services for business owners to use to help transitions.	Community Business Development Corporation provides consulting, mentorship, and valuation programs to support business transitions among other services.	Provides educational workshops and successor development programs to prepare the next generation of farm owner-operators.	Provides funding and business planning support through subsidies and advisory services to help develop leadership and ownership transitions.
Subsidies	<ul style="list-style-type: none"> <li>one-time financial assistance of up to \$6,000 for transferors, \$9,000 for external transferees and \$15,000 for an internal takeover (family or employee succession]</li> </ul>	<ul style="list-style-type: none"> <li>Can finance up to 90% of acquisition</li> <li>Provides \$250 tax break for succession planning</li> </ul>	<ul style="list-style-type: none"> <li>Cover 75% of eligible costs for professional services related to succession planning (up to \$7,500)</li> </ul>	<ul style="list-style-type: none"> <li>50-100% cost sharing/coverage depending on province/territory for advisory services supporting farmers (ranging from \$2,500- \$300,000)</li> </ul>	<ul style="list-style-type: none"> <li>From \$7,5000 (individuals) to \$22,500 (groups) in financial assistance for succession plan development with consultants</li> </ul>

Source: Based upon BizBridge analysis of respective organizations' resources and publications as published in January 2025. Links can be provided on request.

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# Recommendations



Develop a program that provides subsidies of 75% for advisory services in 5-year horizon transition planning (<40% of businesses) - including business consultants, tax, legal, and other advisory services (up to a value of \$6,000)



Enhance the small business advice and support services – including professional advisors to provide transition-specific supports, as well as digital tooling that makes it more accessible and on-demand



Co-invest in educating about succession planning and transition options (family, employee, external) through Small Business Enterprise Centres, Business Improvement Areas, and other organizations with aligned-SMB preservation interests





# BIZBRIDGE

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