

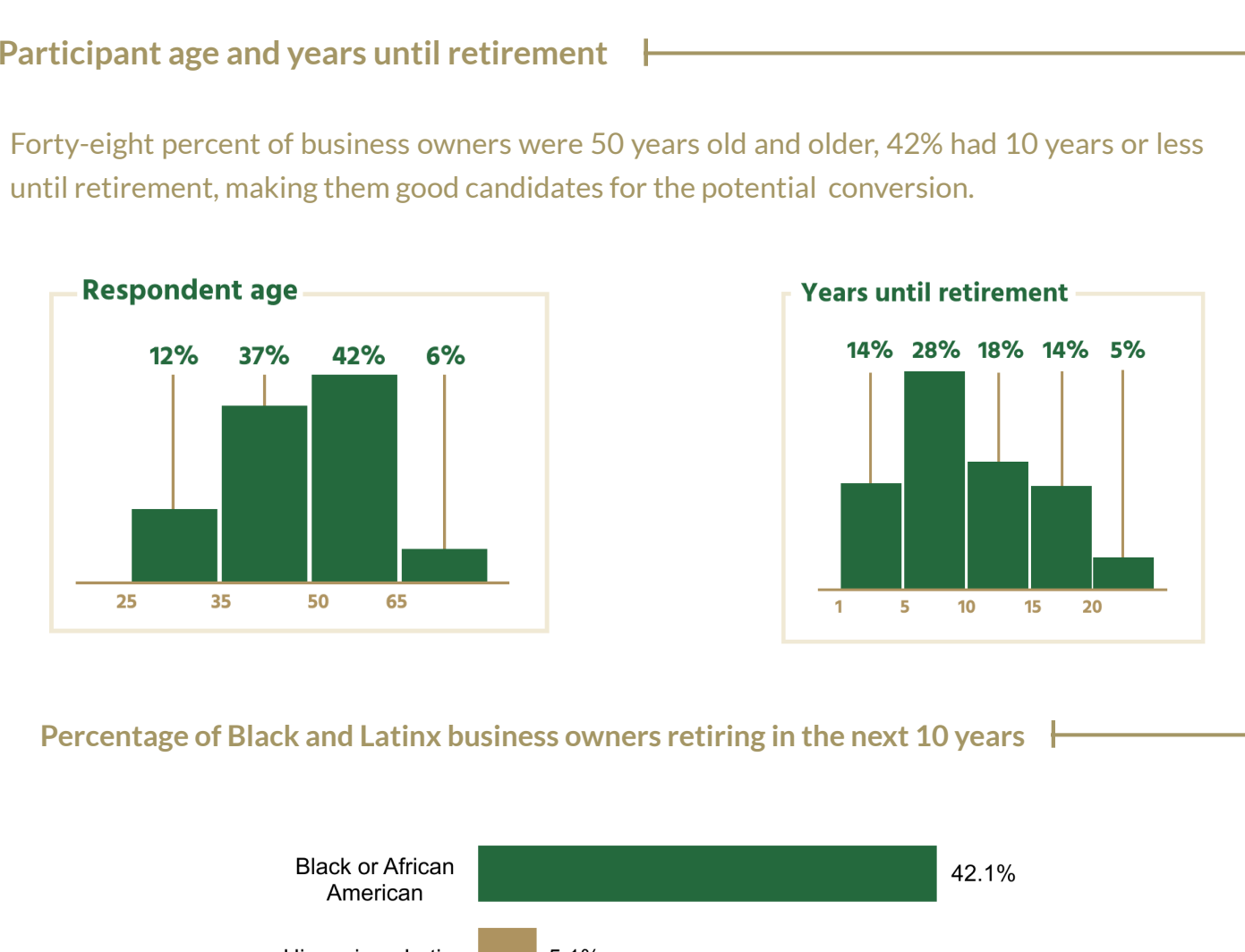
STATE OF EMPLOYEE OWNERSHIP IN CHARLOTTE - MECKLENBURG

The MWSBE Attitudes and Perceptions Survey 2022

118
Small business owners were surveyed

The survey participants represented C-suite or decision-making roles in their respective companies

Participant demographic profile



Participant age and years until retirement

Forty-eight percent of business owners were 50 years old and older, 42% had 10 years or less until retirement, making them good candidates for the potential conversion.



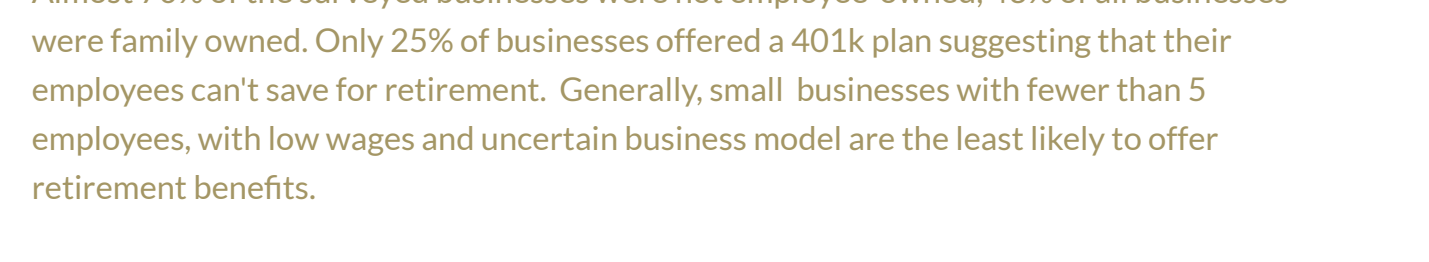
Percentage of Black and Latinx business owners retiring in the next 10 years



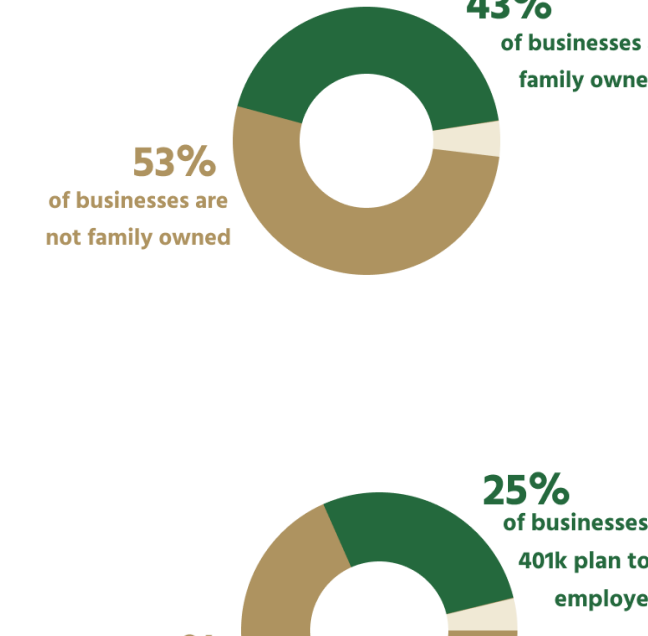
Participant business profile

Participants by industry

Survey respondents represented a variety of different industries, with the heaviest concentration in the professional services (legal services, accounting, consulting) and construction industry. The "Other" category featured most prominently education, advertising and marketing, video production, and reselling.

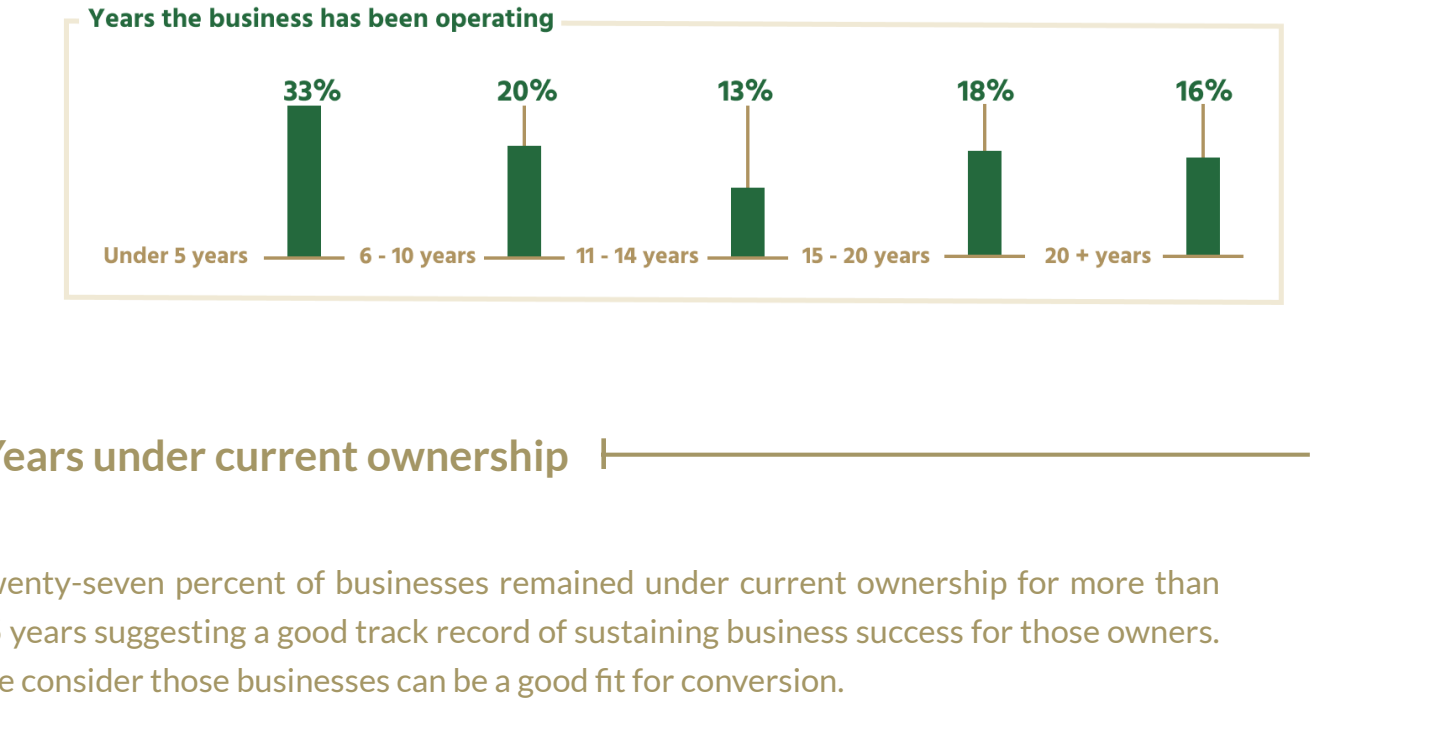


The share of Black-owned businesses was larger across all industries compared to white and Latinx companies. However, Latinx-owned businesses were significantly underrepresented in all categories.



Ownership and retirement benefits

Almost 70% of the surveyed businesses were not employee-owned, 43% of all businesses were family owned. Only 25% of businesses offered a 401k plan suggesting that their employees can't save for retirement. Generally, small businesses with fewer than 5 employees, with low wages and uncertain business model are the least likely to offer retirement benefits.



Business age

The number of years company has been operating on the market is imperative for transition to employee ownership. The relevant longevity of the company likely means having a more durable business model, a good customer and supplier base, more knowledge and skilled workers, and likely a more stable financial situation. In our sample, 33% of the companies were operating 5 years or less, implying they will likely have limited potential as candidates for conversion. Thirty-four percent of the surveyed businesses were established before the economic crisis of 2008 demonstrating the longevity of the corporate structure.



Years under current ownership

Twenty-seven percent of businesses remained under current ownership for more than 15 years suggesting a good track record of sustaining business success for those owners. We consider those businesses can be a good fit for conversion.

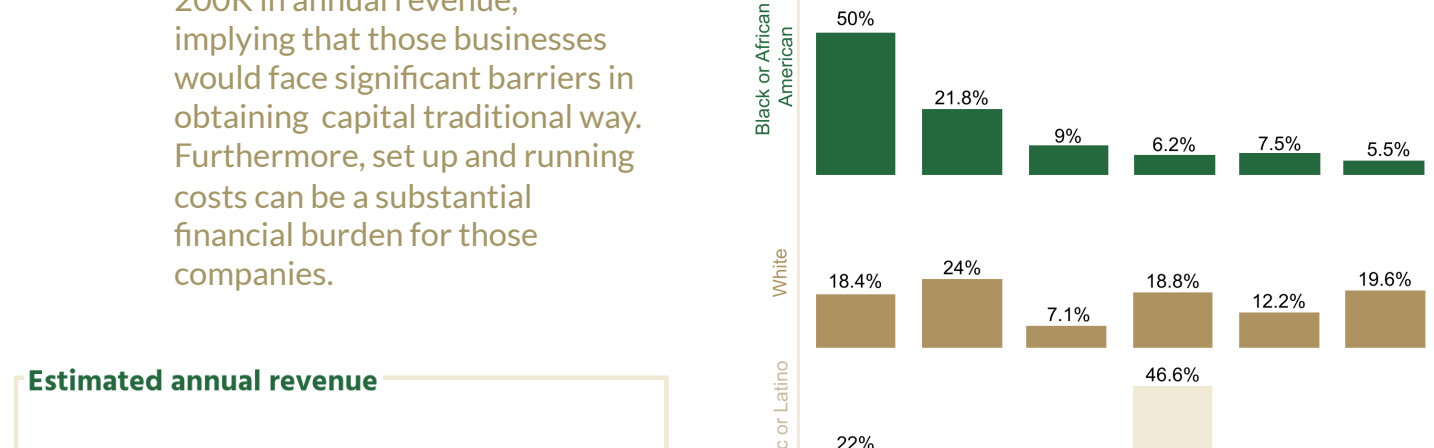


Participant employee count

Twelve percent of the surveyed businesses had no employees. However, the number of employees impacts business success as firms with employees have much higher sales than firms without employees. The majority of respondents had employee bases of less than 5 employees, representing 55% of Black businesses. Over 30% of Latinx and 11% of Black companies had between 11 and 20 employees, implying that those businesses have good conversion potential.



Number of employees by race



Legal structure

The majority of survey businesses were relatively evenly split between LLC and Corporation business structure election. Thirteen percent of businesses represented sole proprietorships, the rest were split between S-corps, partnerships and other business structures.

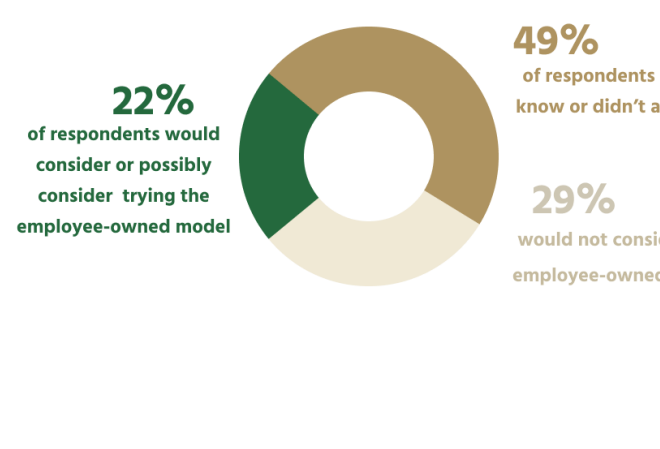


Annual revenue estimates

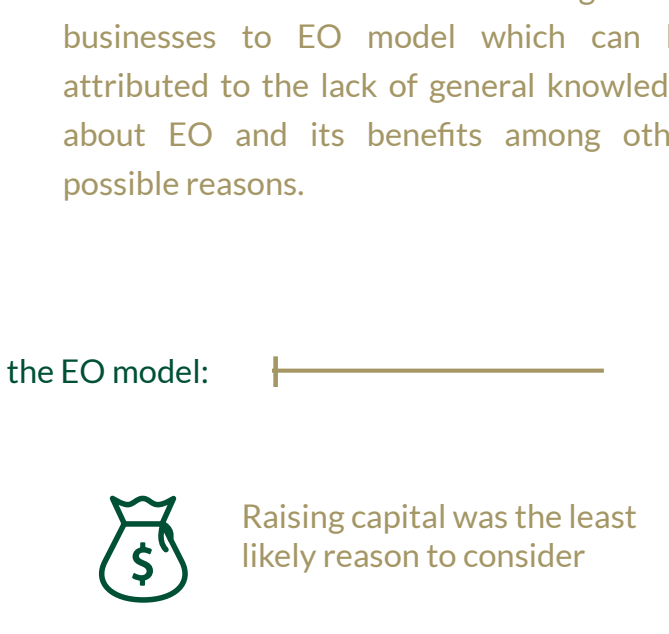
Good financial position can be a necessity to comply with regulatory requirements when transitioning to a certain type of employee ownership. For ESOP, a prevailing employee ownership type in the U.S., \$2M in revenue is an advisable threshold. Only 8% of the surveyed businesses can meet this threshold. Out of those businesses, 19.6% were white-owned compared to 5.5% of Black-owned businesses and none of the Latinx businesses.



Among the surveyed businesses, 50% of Black- and 22% of Latinx-owned companies had less than 200K in annual revenue, implying that those businesses would face significant barriers in obtaining capital traditional way. Furthermore, set up and running costs can be a substantial financial burden for those companies.



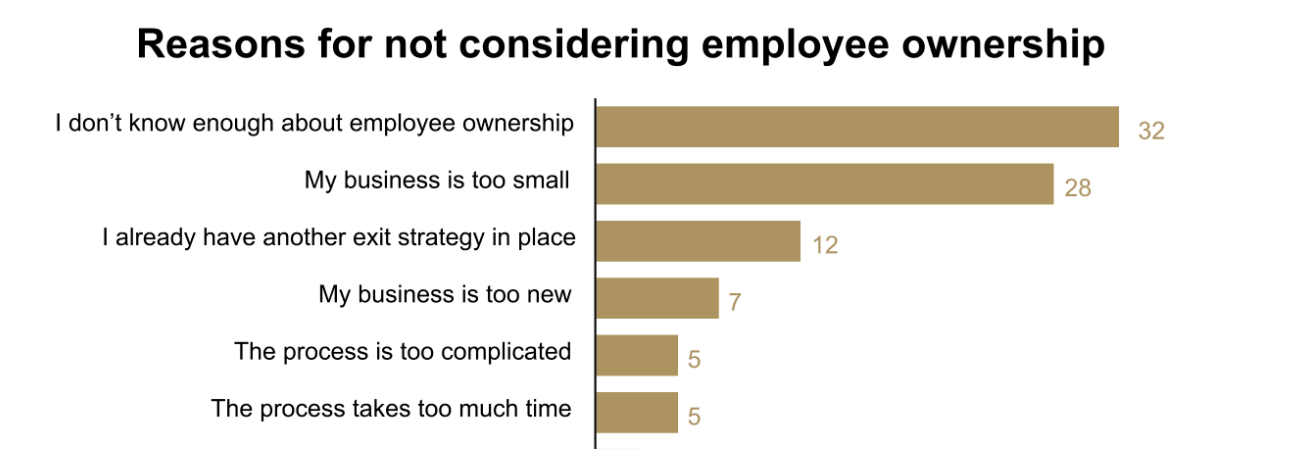
Estimated Annual Revenue by Race



Current employee ownership sentiment

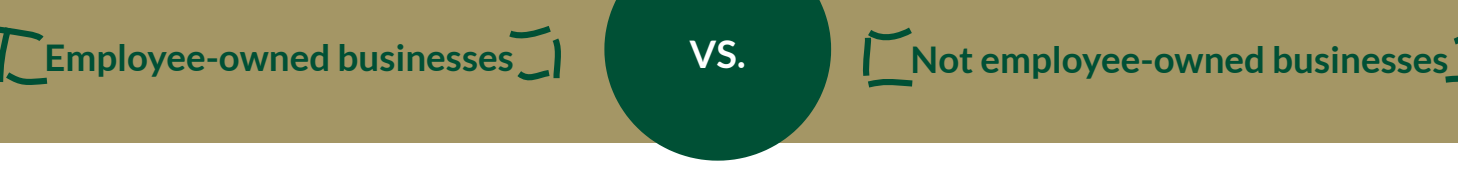
Familiarity with employee ownership types

Employee ownerships remains "a big unknown" among the Charlotte MWSBE businesses. The majority of respondents were only "Slightly familiar" with ESOP, worker co-op or trust model, their utility and the processes involved in setting one up. The crosstab results showed that among business owners retiring in the next 15 years, 52% were "familiar" or "very familiar" with ESOPs, 30% were "familiar" or "very familiar" with worker cooperatives, implying that this group of respondents has been actively engaged in exploring the possibility to conversion.

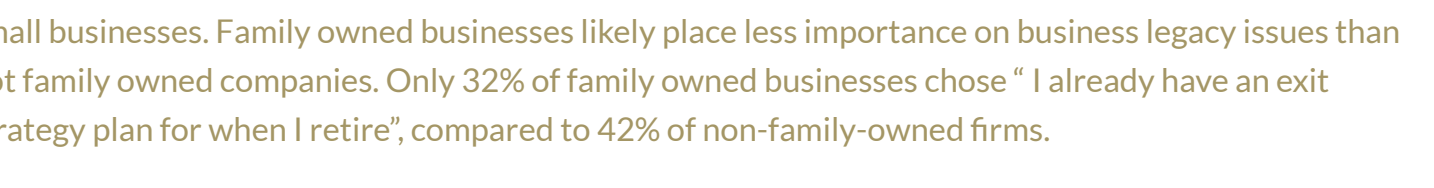


Interest in transitioning to EO model

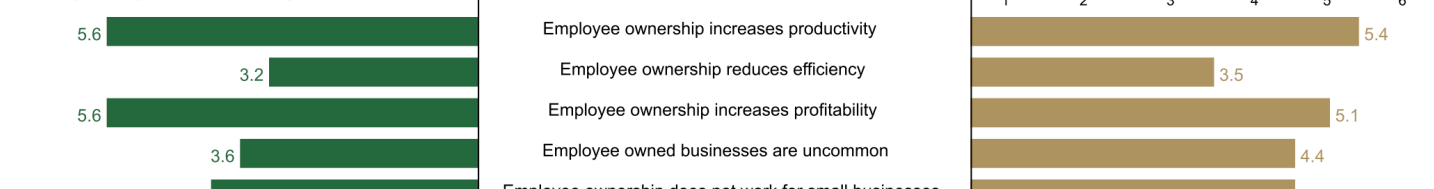
Considerably larger share of respondents was unsure about transitioning their businesses to EO model which can be attributed to the lack of general knowledge about EO and its benefits among other possible reasons.



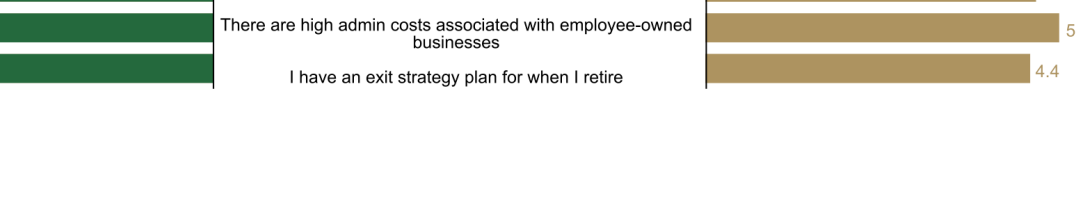
Of the percentage of the participants considering trying the EO model:



Of the percentage of the participants not considering trying the EO model:



Reasons for considering employee ownership



Reasons for not considering employee ownership

Perceptions and attitudes towards employee ownership

Both groups believe that employee ownership increases productivity and profitability, improves job satisfaction, and helps retain jobs, with employee-owners agreeing more strongly with the statements. Although, for not employee-owners, setting up and running an employee-owned business is associated with higher admin costs, they also tend to believe that the concept is uncommon for small businesses. Family owned businesses likely place less importance on business legacy issues than not family owned companies. Only 32% of family owned businesses chose "I already have an exit strategy plan for when I retire", compared to 42% of non-family-owned firms.

Perceptions and attitudes towards employee-owned businesses

