



# Supporting Business Succession & Transition (BST): Lessons Learned from Minnesota

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# **BST Issues we'll cover**

1. Why Business Succession and Transition (BST) is important?
2. The basics of BST based on past research in MN + ND
3. Readiness issues
4. BST resources
5. Employee ownership
6. BST research in Minnesota
7. The importance of bringing up BST

# **Poll: What experience do you have with Business Succession & Transition? (choose all that apply)**

1. Provided education to businesses or business support pros or economic developers
2. Coached business owners on BST
3. Coached employees on BST
4. Support entrepreneurs
5. Research on BST (or related issues)
6. Other: \_\_\_\_\_
7. None, so far.

# How are we learning about BST?

- Liz Templin, et al research
- A 2-state initiative on worker cooperatives
- Programming efforts
- BST Ecosystem Group
- Sessions like this
- New research initiative

# Freshly tested in Southeast Minnesota





# 1. Why is Business Succession and Transition (BST) important?

- Rural Business Transitions: Approaches to Community Training and Education



*Support for this project was and is provided by University of Minnesota EDA Center, with grant funding from the U.S. Economic Development Administration (EDA)*

# Small businesses are the lifeblood of local economies.



# More info. on Business Succession and Transition's importance in economic development

UMN Extension's interest

1. Extension Farm transfer program started seeing nonfarm biz in their classes & retreats
2. BRE data since 2012 showed there is a gap in BST planning

Everyone needs an exit plan right? (not just Boomers)

The MN Center for Employee Ownership commissioned this research on the size of the issue at the state and county levels.

<https://www.mnceo.org/the-silver-tsunami>



## Changes in Confidence in Institutions, by Political Party, 2021-2022

Figures are the percentages with a great deal or quite a lot of confidence in the institution.

	Republicans		Independents		Democrats	
	2021	2022	2021	2022	2021	2022
Small business	77	73	70	69	64	65
The military	81	71	66	58	63	67
The police	78	67	49	41	30	28
The medical system	34	31	42	38	55	46
The church or organized religion	52	46	35	25	27	26
The public schools	20	13	30	29	44	43
Organized labor	13	15	28	27	41	41
Banks	35	23	33	27	34	31
Large technology companies	17	20	32	27	33	30
The U.S. Supreme Court	36	39	40	25	31	13
The presidency	12	2	31	18	69	51
Newspapers	8	5	19	12	38	35
The criminal justice system	17	10	23	16	17	16
Big business	20	19	19	13	16	13
Television news	6	8	13	8	26	20
Congress	6	5	12	7	17	10

Get the data

GALLUP®

Source: Confidence in U.S. Institutions Down  
<https://news.gallup.com/poll/394283/confidence-institutions-down-average-new-low.aspx>

## **2. The basics of BST - what is succession planning?**

The process of planning for the day an owner decides to step down from their leadership role in the farm or business.

Source: *Entrepreneur*, SCORE

# What is business transition?

- This is the actual event of change in the ownership and leadership of a business



# 3. More basics of BST

Timing. When should a business start succession planning?

The major options for transferring ownership (i.e. transfer to...)

- Family
- Management
- Employees
- Private Equity
- Third party (i.e. the market including strategic and financial buyers)

# The 5 Ds of business transition.....

1. Death
2. Divorce
3. Disability
4. Disease
5. Disagreement

# Dudley's Pizza gets new owners; Flodeen pens letter thanking community



written by [Alec Hamilton](#)

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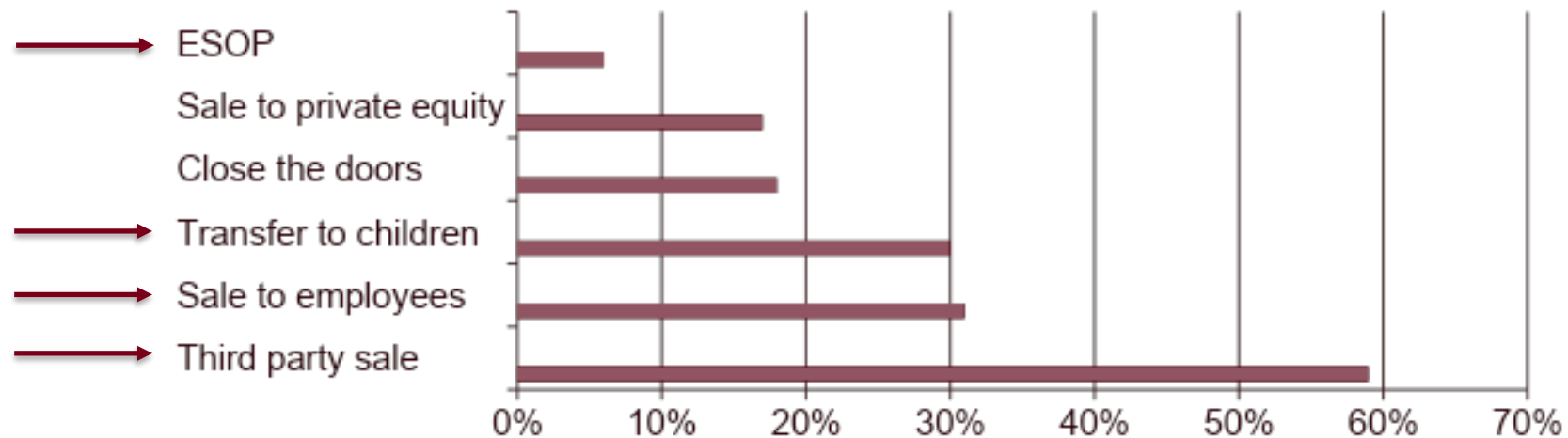


# Why aren't they planning?

- Top barriers
  - Time
  - Cost
  - Confidentiality
  - Lack of awareness about the value of planning
- Also,
  - Not interested or not ready to pass it on
  - Valuation is too low (i.e. there is a “value gap”)
  - Don't know where to begin
  - Seems important but not urgent

# Opportunities for entrepreneurs!

## How owners plan to exit their businesses



Source: Business Owner Survey, BEI, 2016

# Our research and partners: what influences success?

- Business Broker
- Federal Reserve Bank of Minneapolis
- League of Minnesota Cities
- Minnesota Association of Business Valuation Professionals
- Minnesota Association of Development Organizations
- Minnesota Bankers Association
- Minnesota Chamber of Commerce's Grow Minnesota
- Minnesota Initiative Funds
- Minnesota Main Street by Rethos
- Minnesota Small Business Development Centers
- Minnesota State Bar Association

# We asked questions about.....

- **Transfer of Ownership (Purchasing)**
  - Legal, tax and financial aspects
- **Transfer of Leadership (Operating)**
  - Transfer of knowledge, management capacity and social capital to the new owner

See more about the research at [z.umn.edu/bizsuccession](http://z.umn.edu/bizsuccession)

# Successful business succession = retaining and growing businesses



# What can business owners do?

- ✓ Start planning 1-3+ years ahead
- ✓ Show 3+ years of profitability in financial records
- ✓ Get a business valuation to target improvements
- ✓ Create a leadership transition plan
- ✓ Offer mentorship to new owner

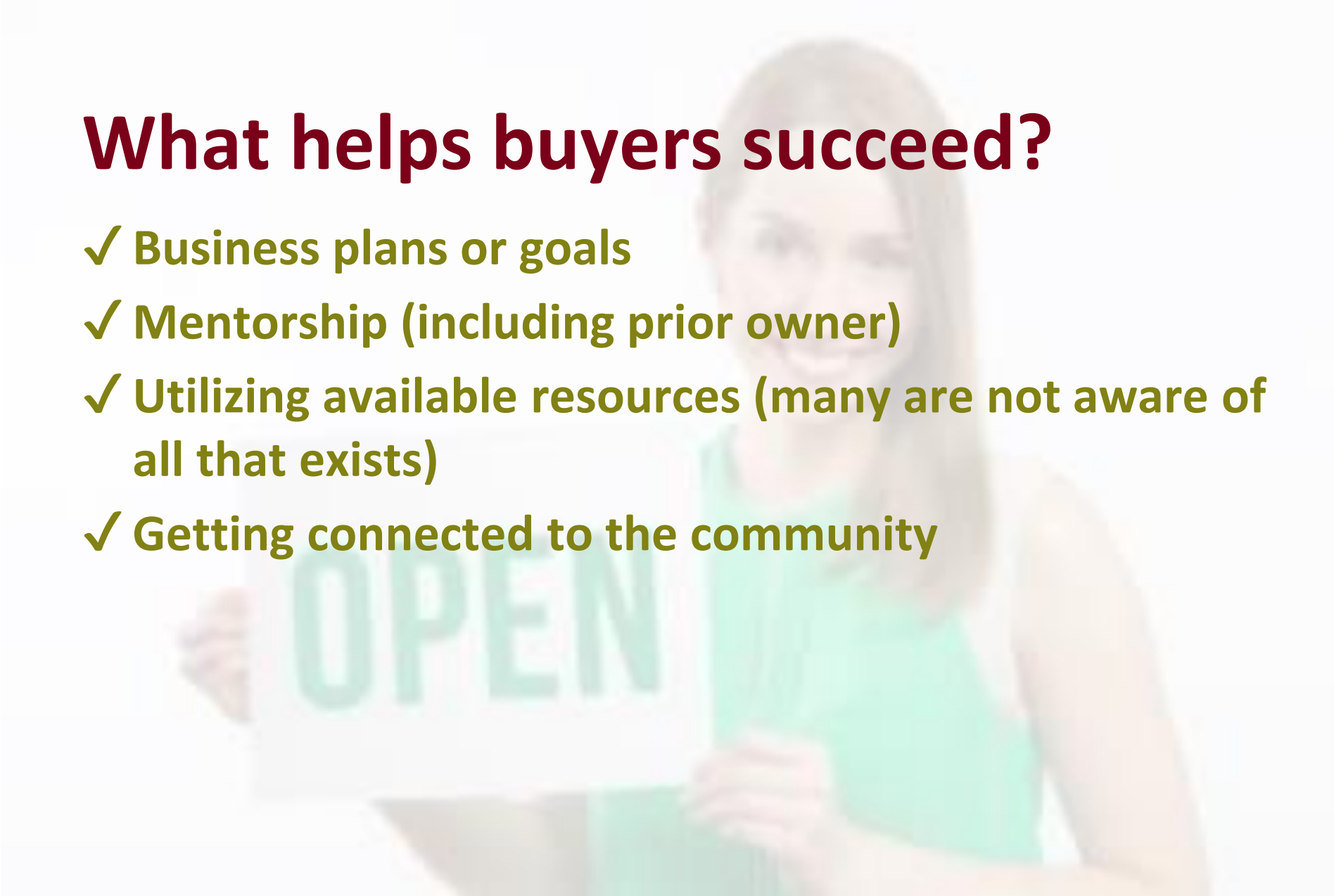


# How Much Time Does it Take to Transition a Family Business?

- [https://mediaspace.umn.edu/media/t/1\\_g76cvx1f](https://mediaspace.umn.edu/media/t/1_g76cvx1f)

# What helps buyers succeed?

- ✓ Business plans or goals
- ✓ Mentorship (including prior owner)
- ✓ Utilizing available resources (many are not aware of all that exists)
- ✓ Getting connected to the community



# Who can help with transition planning?



# What can communities do?

To start....

- ✓ Find a “champion”
- ✓ Assess local situation
- ✓ Identify transition resources
- ✓ Identify ways to reduce reasons sellers don’t plan for succession
- ✓ Raise awareness about business succession with firms in community

# What else can communities do?

To support ownership transitions....

- ✓ Connect sellers and buyers to resources
- ✓ Offer workshops for sellers and buyers
- ✓ Identify and engage intermediaries to help connect buyers and sellers
- ✓ Remember, the buyers could be inside the business already
- ✓ Send business teams to our BST class

# And what else can communities do?

To support leadership transitions.....

- ✓ Create a community climate that welcomes and celebrates new people and businesses
- ✓ Develop or obtain a leadership succession guide to help retiring owners organize
- ✓ Create mentorship opportunities for new owner/leaders

[Z.umn.edu/bizsuccession](https://z.umn.edu/bizsuccession)



**Transition advisors are costly!**





## Business Succession & Transition (BST) Ecosystem

- Convened in 2021
- Based on
  - UMN Extension research on BST
  - Our BRE survey data
  - Recent courses and self-studies we've created
- Realized this is BIGGER than any one entity



### **3. Readiness issues.**

Business owners need to work on multiple layers

- Owner readiness - Personal Forces
- Business readiness - External Forces
- Market & Business forces

*The emotional aspects of an owner's personal readiness is probably the biggest challenge.*

**99% of Business Owners agree a plan is important. Yet, 48% had done NO planning and 80-95% had NO written business or personal transition plan...**

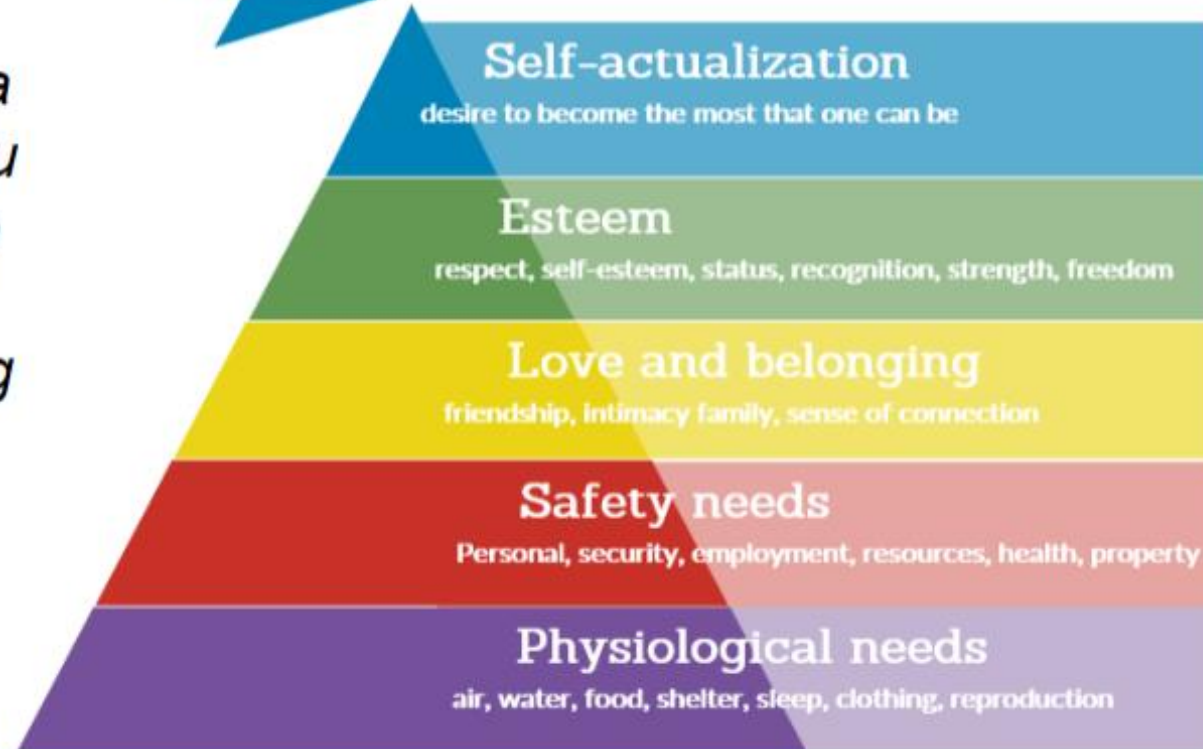


Source: 2017 Twin City Metro  
EPI Owner State of Readiness

# Personal: Legacy Plan



*In order to leave a lasting legacy, you must address the “softer-side” of transition planning*



**VisionOne**

HIGH PERFORMANCE GROUP

Enhancing Readiness for Business Succession



UNIVERSITY OF MINNESOTA EXTENSION



MAKING A DIFFERENCE IN MINNESOTA: ENVIRONMENT + FOOD & AGRICULTURE + COMMUNITIES + FAMILIES + YOUTH



# 4. BST resources

MN Chamber  
Has a nice list



## BUSINESS SUCCESSION PLANNING

<p><b>The Small Business Owner's Guide to Succession Planning Score</b> Guide for succession planning.</p>	<p><b>Business Succession Planning Guides for Farms and Rural Businesses</b> <b>Minnesota Institute for Sustainable Agriculture</b> Business succession planning guides for farms and rural businesses.</p>	<p><b>Succession Planning</b> <b>St Thomas Family Business Center</b> Succession planning assistance for family businesses.</p>
<p><b>Long-term Business Ownership Planning</b> <b>MN Center for Employee Ownership</b> Helps business owners throughout the state of Minnesota think about, plan for, and manage their companies long-term future.</p>	<p><b>Small Business Development Centers</b> <b>DEED</b> Professional expertise and guidance on succession planning.</p>	<p><b>Rural Business Succession Planning</b> <b>UMN Extension</b> Resources to promote successful ownership transitions in rural communities.</p>
<p><b>Minnesota Supplier Match</b> <b>Minnesota Chamber of Commerce</b> Database with providers of business succession planning services.</p>		

<https://www.mnchamber.com/economic-development-resources#Business%20Succession%20Planning>



## 4. More BST resources

- Extension class for businesses
- *Is Your Business Ready for Success(ion)*
- [z.umn.edu/BSTclass](http://z.umn.edu/BSTclass)
- \$500 for 5 week via Zoom
- *“I think a lot of people and businesses would benefit from this course. The time it takes to sit in the online classes and the homework is small compared to the amount of time and effort that will be needed to actually properly implement a successful transition.” — spring 2020 participant*



## 4. More BST resources



### Module 1

### Understanding and Supporting Business Succession

- “Virtual workshop” for community leaders
- Free, DIY format
- <https://extension.umn.edu/community-development/supporting-rural-business-succession-and-transition>

## 4. Our UMN Extension BST stuff

- [z.umn.edu/BSTclass](https://z.umn.edu/BSTclass) (business course)
- [z.umn.edu/bizsuccession](https://z.umn.edu/bizsuccession) (research, general info. and guidance for community leaders)
- [z.umn.edu/Darger](https://z.umn.edu/Darger) (my “packrat” BRE + BST collection)



## 4. More BST resources

- MN Center for Employee Ownership & Julie Keyes developed a self-guided (asynchronous) course for business owners
- \$499 on the participant's own timeline
- <https://keyestrategies.mykajabi.com/Business-Transition-Planning>

## 5. Employee ownership (very few people know about this option, so it's worthy of its own topic)

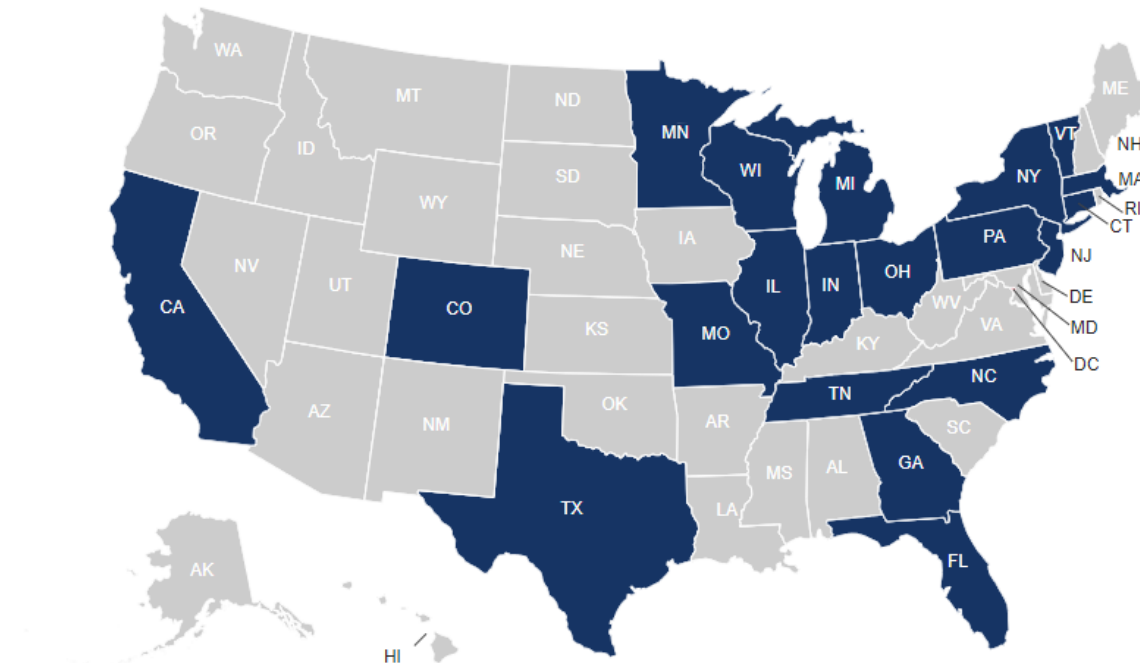
- Minnesota has high density in employee ownership of businesses, ESOPs (*Employee Stock Ownership Plans*)
- But other forms of EO barely exist here.
- A nice BST video from the MN Center on Employee Ownership
  - <https://www.mnceo.org/employee-ownership-101>

# 5. Employee ownership – national network of centers

<https://eoxnetwork.org/state-centers>

## EXPANDING EMPLOYEE OWNERSHIP ACROSS THE U.S.

Click on any state in blue to be taken to that State Center's website. If you are interested in opening a center in your state, please [contact us](#) for more information.





## 5. Employee ownership – curriculum library at Rutgers <https://cleo.rutgers.edu/>

### Curriculum Library for Employee Ownership

CLEO is the largest online library for teaching materials on employee ownership.

Search by Title, Keyword, Author, or Publisher



#### Employee Share Ownership Basics

More than 600 teaching materials, including videos, cases, syllabi, teaching modules, and reading collections, with thousands of downloads by researchers, professors, and companies.

[Advanced Search](#)

# 5. Employee ownership (EO)

I have two hypotheses regarding EO and BRE:

1. EO is the most likely form of business transition to keep a business local.
2. EO is under what its equilibrium point could be if there was
  1. greater awareness of the opportunity that EO presents for company performance and worker participation and compensation
  2. more capacity to assist businesses AND employees on EO transitions



## **6. Further BST research in Minnesota**

- Ashley Petel, Graduate Research Assistant

# Research Step 1: Literature Review

## Key Questions

- Business Owners
  - Preparedness for business succession?
  - Circumstances that prompt action around succession planning?
  - Awareness and attitudes towards employee ownership?
- Employees
  - Awareness and attitudes towards employee ownership?

# Research Step 2: Focus Groups

## Key Questions

- Economic Development Professionals
  - Key trends and concerns around business succession and employee ownership?
- Business Owners
  - Key challenges and successes around business succession and employee ownership?

# Research Step 3: Statewide Survey

## 7. The importance of bringing up BST & Discussion

- How do you have a succession planning conversation with a business?
  - Video tips from Jon Keimig:  
[https://mediaspace.umn.edu/media/t/1\\_ox1nu6cs](https://mediaspace.umn.edu/media/t/1_ox1nu6cs)

# Questions?

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