



# How Ready are Owners for Business Succession and Transition?

**Michael Darger, Community  
Economics & BRE Specialist**

# Presentation goals

- Why does BST\* matter?
- Share our research results - about business owner awareness, attitudes, aspirations, and preparedness
- Share some resources
- Be interactive Zoom polls + Discussion at the end

*\*Business Succession and Transition*

# BST 1.0 - An Earlier Webinar

<https://economicdevelopment.extension.wisc.edu/articles/supporting-business-succession-transition-lessons-learned-from-minnesota/>



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

Michael Darger

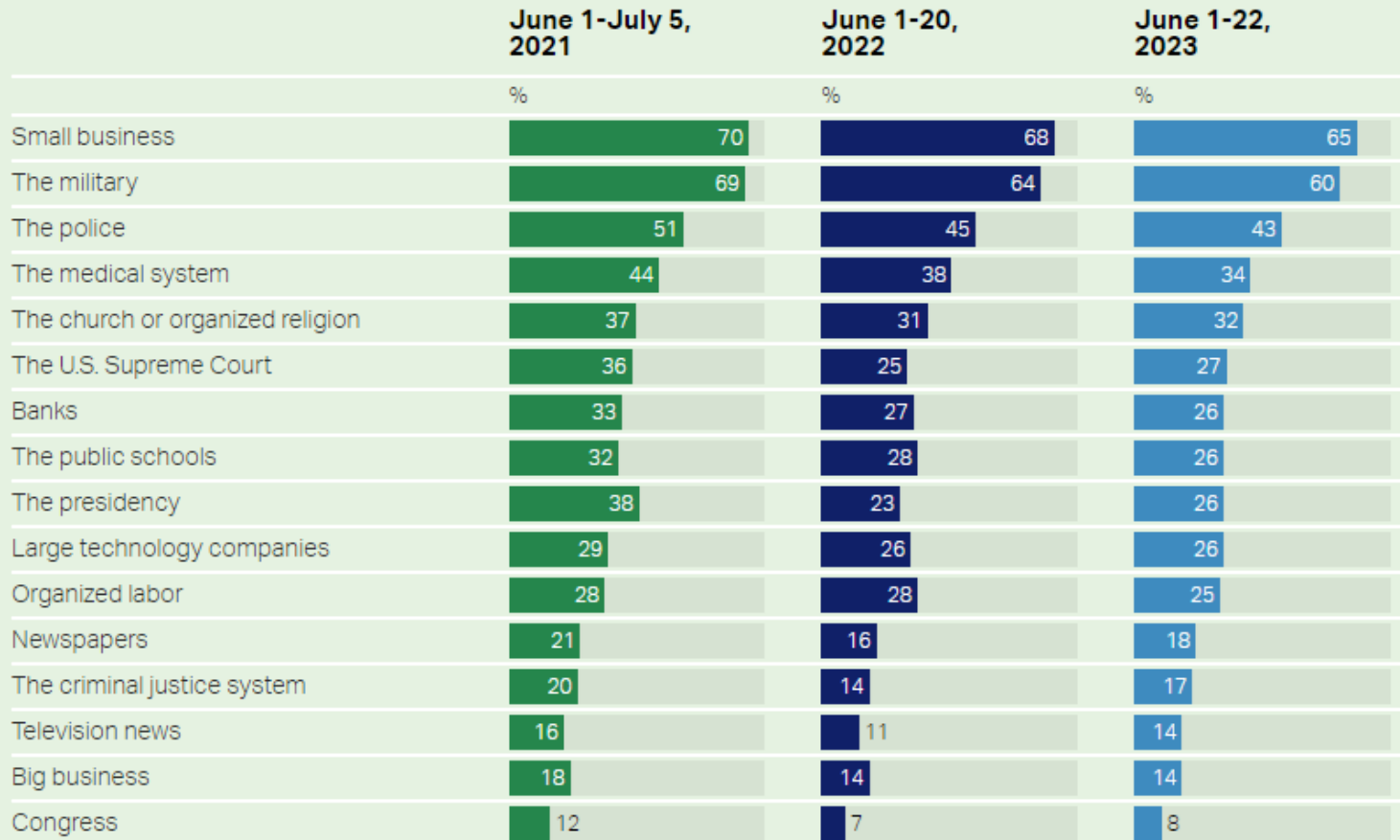
# How Extension Community Development is involved

<https://z.umn.edu/BizSuccession>



## Recent Trend in Americans' Confidence in Institutions

% Great deal/Fair amount of confidence in each institution



Get the data • Download image

GALLUP

Source:

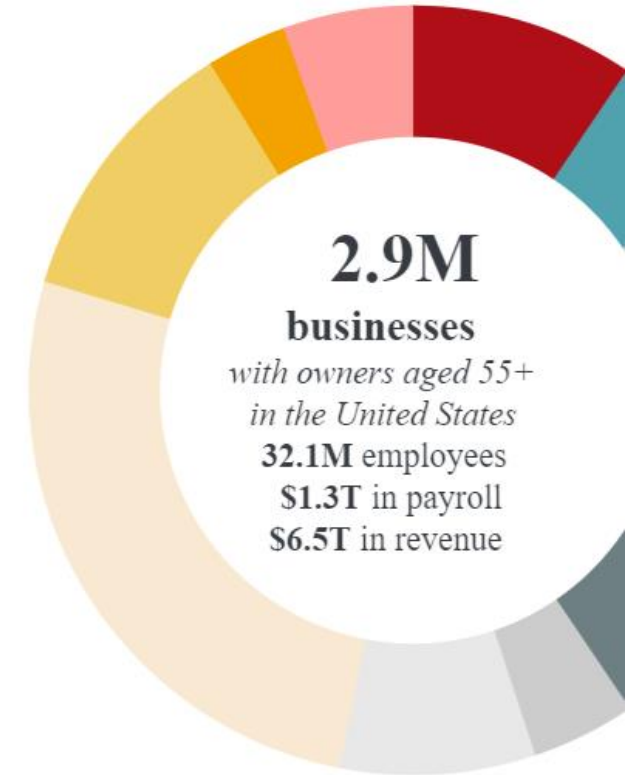
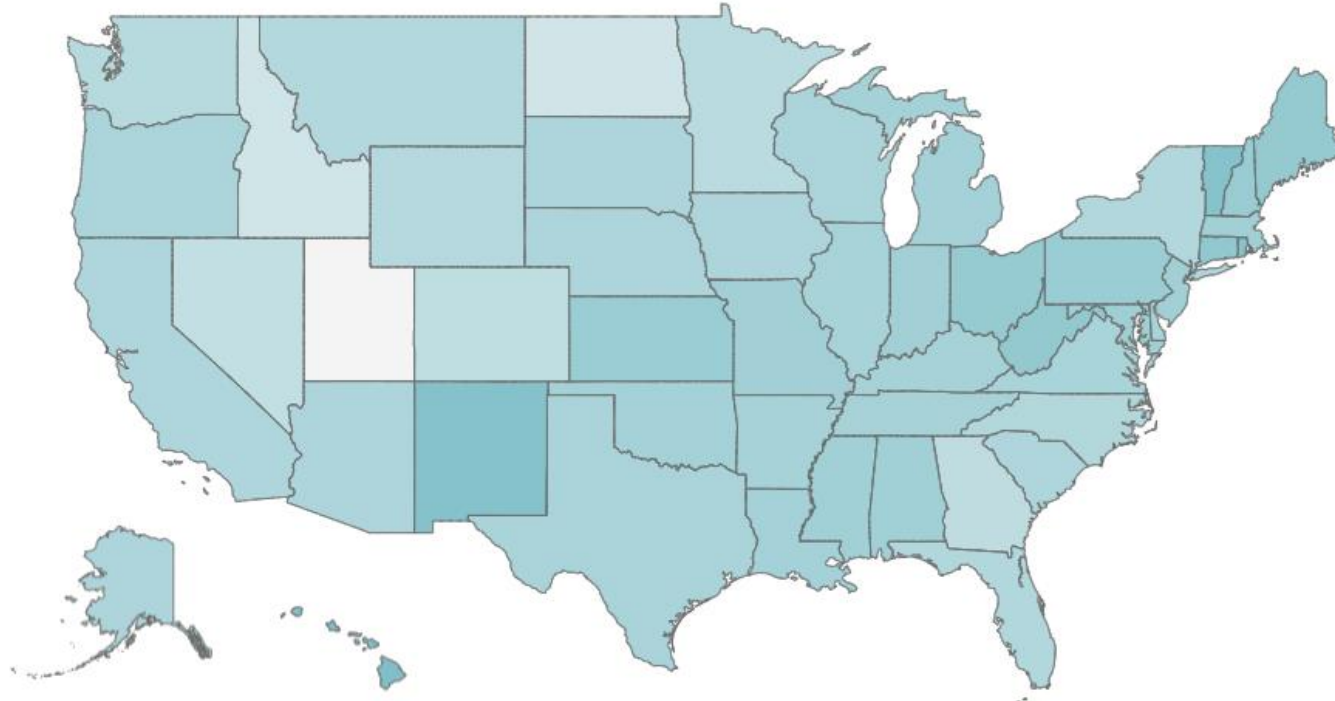
<https://news.gallup.com/poll/508169/historically-low-faith-institutions-continues.aspx>

# The Silver Tsunami of retiring business owners

control half of the businesses in the US

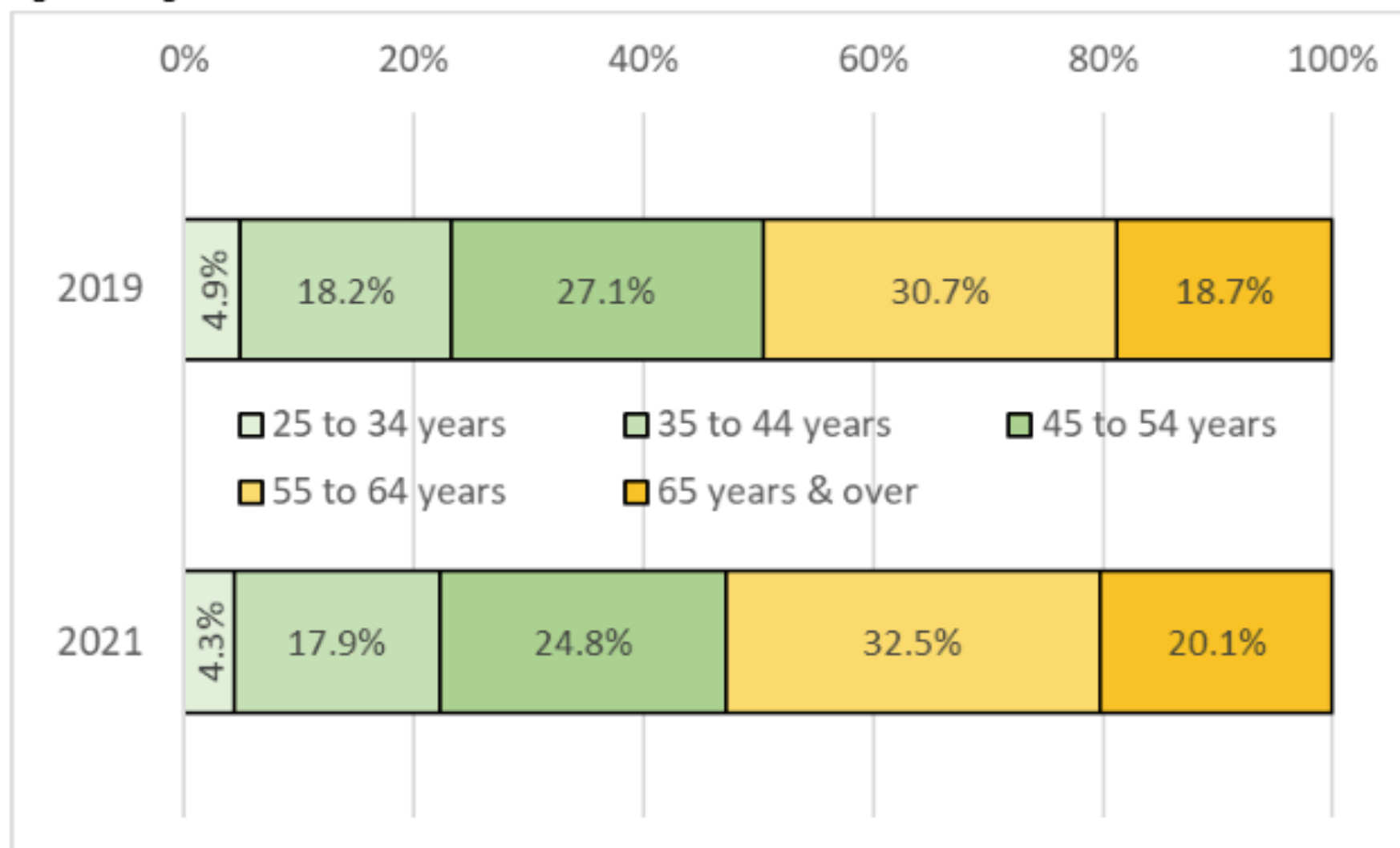
Hover over donut slices to view retiring business owners by

Click on the map to discover the impact to your region.



<https://project-equity.org/communities/small-business-closure-crisis/>

Figure 1: Age of business owners in Minnesota from 2019-2021



Source: 2021 Annual Business Survey, U.S. Census Bureau

# Extension Research, 2017

## Why aren't they doing BST planning?

available at [z.umn.edu/Bizsuccession](http://z.umn.edu/Bizsuccession)

- Top barriers
  - Time
  - Cost
  - Confidentiality
  - Lack of awareness about the value of planning
- Also,
  - Not interested/ready to pass it on
  - Valuation is too low/overestimated
  - Don't know where to begin
  - Seems *important* but not *urgent*
  - Personal readiness

Source: Templin, E., et al (2017), Power of Planning, Wilmington Trust (2017)



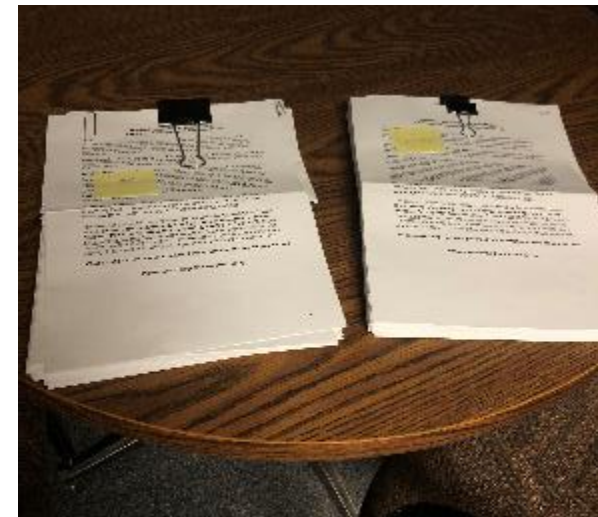
# Extension research 2023

- Surveyed businesses across the state (April-June 2023)
  - 1,500 biz with 5-500 employees.
  - all 87 counties represented in the 3,000 business contacts. Most counties had 1+ respondents.
  - 341 responses received; 286 were usable/valid
  - 69% are family owned (58% 1st gen, 27% 2nd gen.)

Results, articles, data, dashboards, methods

[z.umn.edu/BSTresearch](https://z.umn.edu/BSTresearch)

# An old school big push, paper survey



# Zoom Poll #1

Where do owners turn to for information and advice on business succession and transition planning?

1. Other business owners
2. Trusted advisers (e.g. accountant, attorney, banker, etc.)
3. Government entities (e.g. county/city, SBDC, etc.)
4. Nonprofits/educational entity (e.g. chamber of commerce, university/college, etc.)
5. Other

7. From which sources have you learned about business succession and transition planning? *(Select all that apply) (n = 286)*

Trusted advisers (e.g., accountant, attorney, banker, insurance agent, etc.)	71.0%
Other business owners	59.1%
Other	16.1%
Nonprofit/educational entity (e.g., chamber of commerce, university/college, etc.)	5.9%
Government entities (e.g., county/city, small business development center, etc.)	2.8%

14. From which sources have you sought advice or resources for succession and transition planning? *(Select all that apply) (n = 268)*

Accountant	59.3%
Other business owner	54.5%
Attorney	48.1%
Spouse/partner	31.3%
Personal financial planner	30.2%
Banker	20.5%
Websites, videos, books, magazines, etc.	14.9%

Small business consultant/small business development center	12.7%
Other	11.6%
Exit planning specialist	9.0%
Insurance agent	6.3%
City or county economic development office	3.0%
Chamber of commerce	1.9%

## and who came in last place?

College class or University of Minnesota extension office	0.7%
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## Insights into Business Succession and Transition: Adviser and Readiness Trends

### Personal Readiness

(All) ▼

### Business Readiness

(All) ▼

### SBDC\* Region

(All) ▼

- (All)
- Central
- North Central
- Northeast
- Northwest
- South Central
- Southeast
- Southwest
- Twin Cities Metro
- West Central

(SBDCs) can be found below:



\*\* Some results may not be

Number of Responses

**286**

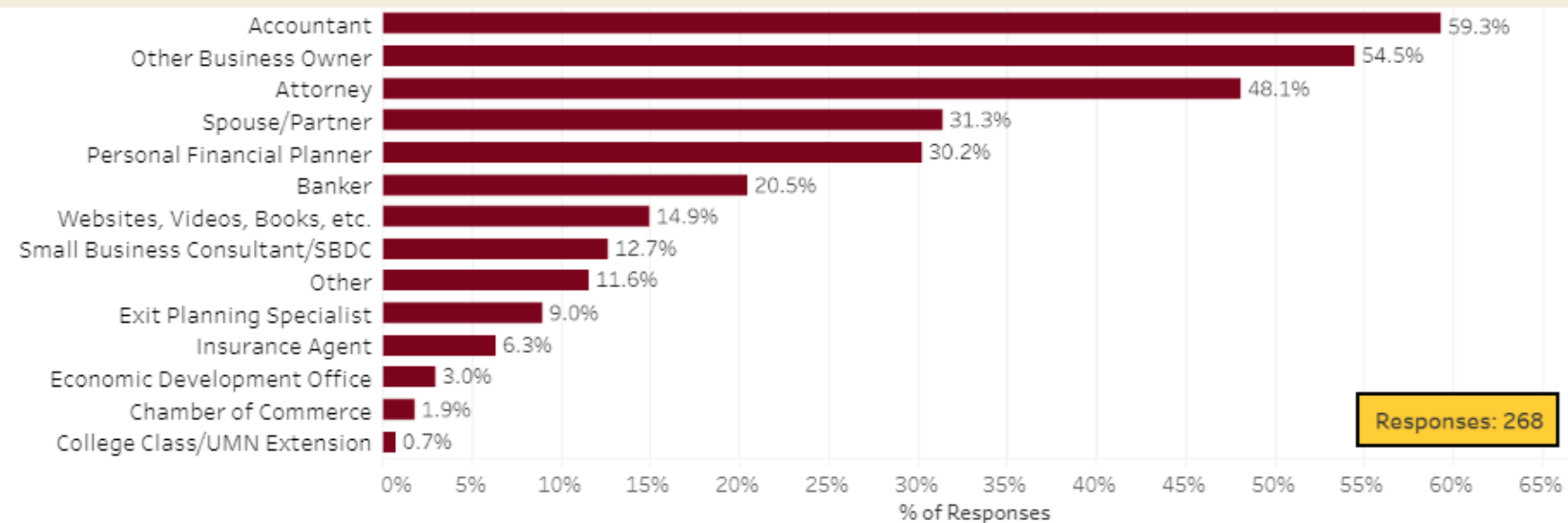
Average Personal Readiness (out of 6)

**3.587**

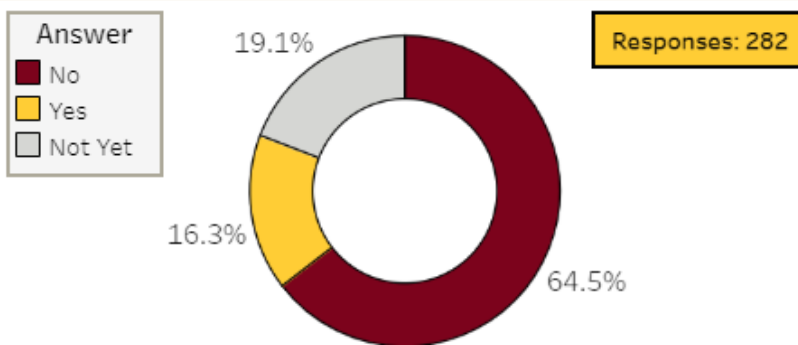
Average Business Readiness (out of 6)

**3.621**

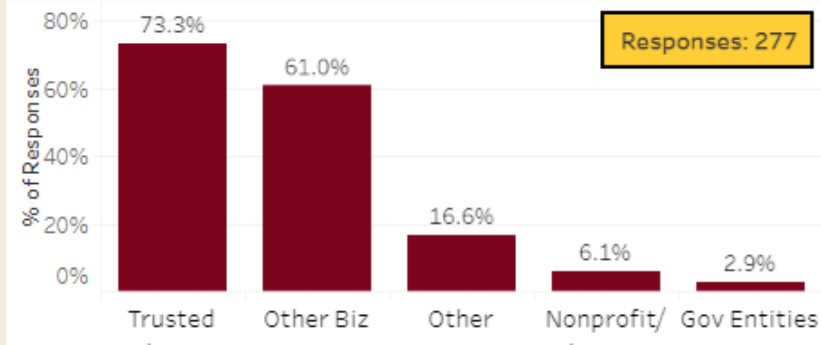
### Sources Used to Seek Advice for Business Succession and Transition (BST) Planning



### Do you Have a Team of Advisers?



### Sources Used to Learn About BST Planning







## What New University of Minnesota Extension Research Reveals About Business Owners' Plans for the Future Transition of Their Firms

[Read our article](#) published on the Minnesota Department of Employment and Economic Development (MNDEED) website.



## What's Important for Business Transitions in Minnesota?

[Read our article](#) published on the Minnesota Society of Certified Public Accountants (MNCPA) website.

Usual audience above, new audience below

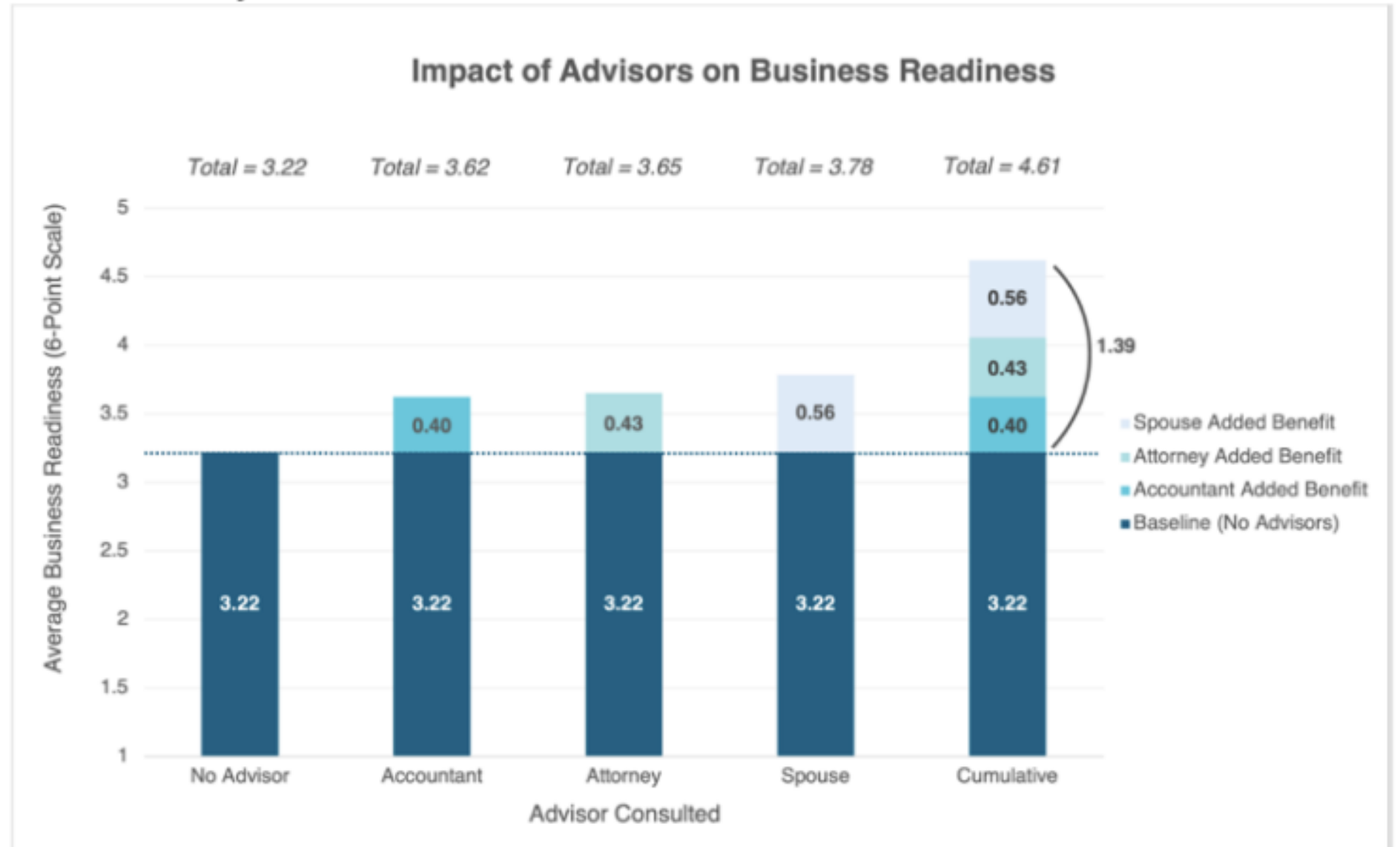
# Zoom Poll #2

How many advisers does it take to successfully transfer a rural business?

1. 1-2 advisers
2. 3-5 advisers
3. 5-7 advisers

# It take a “village” of key advisers

Figure 9: Business readiness for success and transition increases as additional advisers are consulted



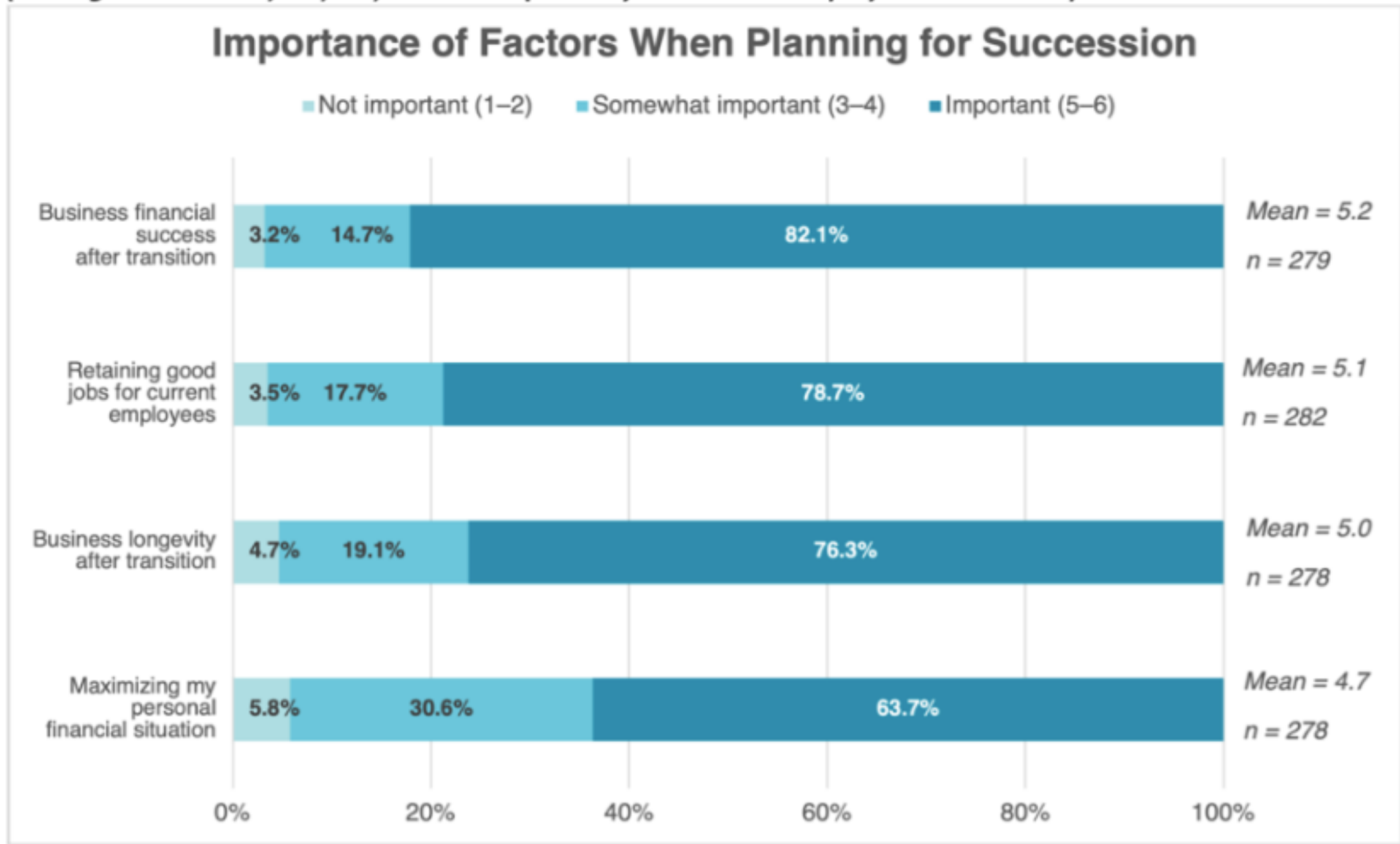
# Zoom Poll #3

**(pretend you're a business owner)**

**When planning for succession and transition, what are the  
3 most important factors to you**

1. Business financial success
2. Business longevity after transition
3. Keeping business in the community
4. Maximizing my personal financial situation
5. Retaining good jobs for current employees

*(Average scores = 5.2, 5.1, 5.0, and 4.7 respectively in the order displayed on the chart)*



**Table 4: Which three factors below are the most important to you? (Rank 1st, 2nd, and 3rd)**

<b>Factor</b>	<b>Importance - Owners that ranked it 1st, 2nd, or 3rd</b>	<b>Average Ranking</b>
Business financial success after transition	176	1.7
Retaining good jobs for current employees	138	2.2
Maximizing my personal financial situation	136	1.6
Business longevity after transition	121	2.3
Keeping business in the family	64	1.9
Keeping business in the community	60	2.2

# We have 2 dashboards showing owner values vs. their intentions

**Business Owner Values and Likelihood to Consider Exit Options**

Total Responses: 282

When planning for succession and transition, how important are these factors to you? (Question 11)

Business financial success after transition

Click on NAICS Sectors:

Sort By:

### Owner Values and Owner Intentions for the Eventual Ownership Transition

When planning for succession and transition, how important are these factors to you?

Business financial success after transition (All) ▾	Business longevity after transition (All) ▾	Keeping business in the family (All) ▾	Keeping business in the community (All) ▾	Maximizing my personal financial situation (All) ▾
Costs of succession and transition planning (All) ▾	Maintaining control of the business (All) ▾	Retaining good jobs for current employees (All) ▾	Adding new jobs in the future (All) ▾	Ensuring it's not bought by competitors (All) ▾

When planning for the eventual ownership transition, how likely are you to consider these options?

Sort Table By: Average Score ▾

Responses	Average Score	Percentage of Responses
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# OK, the bad news on BST preparation

BST planning activities in last 3 years. N=252+	No
Taken classes related to transitioning a business	88.8%
Attempted to sell the business	82.9%
Created/updated a written succession and transition plan	78.4%
Other ( <i>n</i> = 37)	75.7%
Implemented business value enhancement strategies	71.9%



## And some good news too

BST planning activities in last 3 years, N=252+	Yes
Had discussions with family members	82.3%
Had discussions inside the business	72.2%
Started training my successor(s)	40.8%
Explored whether external or internal buyers exist	36.1%
Obtained a formal business valuation	32.6%
Documented policies and procedures for future leadership and ownership	32.4%

# Zoom Poll #4

**Which type of business ownership transfer do you think is most likely to improve the business, retain employees, and increase the longevity of the business?**

1. External sale (3rd party buyer, strategic buyer, private equity, or liquidate/sell assets)
2. Internal sale (family member(s), manager(s), partner(s))
3. Internal sale (ESOP [employee stock ownership plan], worker-owner cooperative, employee ownership trust)

# **There probably isn't a “best” model for either business ownership or BST**

## **Research on employee owned (EO) companies**

- Higher performance year over year
- Employees achieve greater wealth accumulation
- Slower to hire; slower to layoff
- Did better during the Pandemic
- Common sense

# I have two hypotheses on Employee Ownership and Business Retention and Expansion (BRE)

1. EO is the most likely form of business transition to keep a business local.
2. EO is not at the level it could be if there was
  1. greater awareness of the benefits
  2. more capacity to assist businesses AND employees on EO transitions

# Publications

↻ Reset |  Header type



Elevate your impact.

Which Business Transition Options are Owners Likely to Pursue?

## **Awareness**

- **Owners were most aware of transfers to family, strategic buyers, partners, 3rd-party buyers and managers.**
- **They were quite unaware of 3 employee ownership options for transfer**

## **Intentions**

- **Only 2 options were likely (i.e. 50%+)**
  - Strategic buyers (4.0 on 6 point scale)
  - Family (3.6)
- **Owners more likely to liquidate than sell to employees**

# How Well are Business Owners Preparing for Succession and Transition?



by Michael Darger

Category: [Research Insight](#) Tags: [Entrepreneurship](#) [Exit Business](#) [Succession Planning](#)

👁 3009



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## Zoom Poll #5

This BST research was with business owners/sellers. If research on potential business BUYERs were to happen, what suggestions do you have? What are logical target audiences, groups, places and/or methods to conduct such research?

(This is a fill-in-the-blank question)



# Extension BST resources

Short Videos

[z.umn.edu/BSTplaylist](https://z.umn.edu/BSTplaylist)

Business Course

[z.umn.edu/BSTclass](https://z.umn.edu/BSTclass)

Virtual workshop for  
community leaders



# Here's an easy way to start <https://z.umn.edu/BSTvideos>



## Business Succession and Transition

@BusinessSuccessionTransition · 11 subscribers · 31 videos

Learn about business succession and transition (BST) planning from the University of Min... >

[z.umn.edu/UMNExtBST](https://z.umn.edu/UMNExtBST) and 1 more link

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Buying Owners

[View full playlist](#)



Nina Hale (sold to ESOP)

[View full playlist](#)



Extension's Business Succession & Transition Program

[View full playlist](#)



Employee Stock Ownership Plan (ESOP)

[View full playlist](#)



Ben Tsai

[View full playlist](#)



Steve Storkan (employee ownership)

[View full playlist](#)



Economic Development and Business Succession and...

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Selling Owners

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Worker Owned Cooperatives

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Employee Ownership

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Family Businesses

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Exit Planning

[View full playlist](#)



# A BST course???

- Extension class for businesses
- [z.umn.edu/BSTclass](https://z.umn.edu/BSTclass)
- \$500 for 5 weeks via Zoom



- *“I did not know about this class prior to us getting our succession plan in order. It would have been so helpful and saved us a lot of time” -spring 2023 participant*

- *“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.” - 2020 participant*

# Workshop Materials



## Module 1

### Understanding and Supporting Business Succession

Watch: [Video presentation](#)

Review: [Slides](#)

Complete: [Worksheet 1](#)



## Module 2

### What Business Owners Need to Know

Watch: [Video presentation](#)

Review: [Slides](#)

Complete: [Worksheet 2](#)



## Module 3

### Actions Community Leaders Can Take

Watch: [Video presentation](#)

Review: [Slides](#)

Complete: [Worksheet 3](#)

# Networking about BST

- This research and the video resources were inspired by my network
- Lots of people care about this issue
- MN BST Ecosystem group meets bi-monthly (MN Dept of Employment and Econ Dev, SBDC, regional orgs, Family Biz Center, researchers, nonprofits in employee ownership, et al)



# We now infuse BST into our BRE course September-October, 2024

“It was a pleasure to learn from your experience and research on the topic. I don't feel that we have this type of expertise in Oregon — we certainly don't have access to the UMN level of support.”

“Really honored to have learned from you and your team — it really is a delightful antidote to the imposter syndrome I have brought into this work as a “new career newbie”!

<https://z.umn.edu/brecourse>

coupon code: **EarlyBirdSpecial** (Aug 1-14<sup>th</sup>)

# Discussion

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

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