

Transfer Business Visitation Protocol

TOOLS FOR ENERGIZING ENTREPRENEURSHIP

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BACKGROUND AND INTRODUCTION

The following tool provides a protocol for a visitation program focusing on transfer businesses. This tool has been specifically developed for use in Ord/Valley County, Nebraska. This tool is being jointly developed by the National Center for Rural Entrepreneurship, the Nebraska Rural Development Commission and the Valley County Economic Development Corporation. All rights are reserved by these entities to the use of this tool. TM

Proposed Protocol

Transfer Businesses. Most businesses in Ord/Valley County are family owned small businesses. Family businesses are often challenged in successfully transferring from the current generation to the next generation. Heavy outmigration of children of family business owners increases this challenge. Because of the struggling regional economy in which Ord/Valley County finds itself – the transfer challenge is deepened due to the lack of potential non-family owners. In this area a large number of the current business owners are aging and the timing of transfer is eminent. The economic development interests in Ord/Valley County have identified business transfer as a priority.

Process Steps. We propose the following stepped process:

Step 1 – Identification and Targeting. The first step involves identification of businesses facing possible transfer during the next 15 years. A form of triage is proposed to target those businesses to be identified and assisted:

*Refer to Attachment A — *Understanding Entrepreneurial Talent.*

Consideration 1 – Facing Transfer. *Within the next 15 years it is highly likely that the business will face transfer due to the age of the current owners, the health of the current owners or the desire of the current owners to leave the business.*

Consideration 2 – Transfer is Feasible. *It is likely that the business is viable and it is feasible for the business to transfer to new owner/operators versus failure and liquidation.*

Consideration 3 – Open to Assistance. *The current owners/operators are open to participating in the assistance program to be offered by Ord/Valley County Economic Development.*

Step 2 – Visitation. The second step is to visit each of the targeted businesses employing a modified *Business Retention and Expansion* interview process. Addressed in detail in a following section of this tool.

Step 3 – Customized Assistance. The third step involves (1) engaging the owners/operators in the Business Transfer Program and (2) providing customized assistance to position the business for likely transfer as a going concern.

Step 4 – Tracking. A simple tracking system should be established to annually access each business initially identified with particular focus on those businesses enrolled in the program.

Step 5 – Program Evolution. Each year this economic development program should be critically assessed, determined if it should continue as a strategic part of Ord/Valley County's ED effort, and if continued, evolved to ensure its appropriateness and effectiveness.

Confidentiality. For this program to be successful it must be totally confidential. Any information gained through interaction with business owners must be kept discrete and restricted to a limited number of persons committed to confidentiality. Because of the need for confidentiality we recommend the following:

- *That the program be operated by a committee of no more than three to five persons from the development organization. These persons agree in writing to complete confidentiality of all information gained through this program.*
- *A written confidentiality pledge be provided to each business engaged formally or informally in the program. Any disclosure of information be only made with a written permission from the business. Identification of the person or persons recognized by the business to provide such a release should be obtained early in the process.*

Desired Outcomes. This activity should result in the following desired outcomes:

- Gain insight into the entrepreneur and their venture(s) – and specifically focus on issues related to the likely ownership/operational transfer of the business.
- Determine if the entrepreneur/venture is a likely prospect for transfer and open to accepting assistance.
- Gain insight on critical business transfer specific development issues that might inform infrastructure needs for the community.

Visitation. The visitation should run between 30 and 60 minutes. We propose the following three areas to be probed during the visitation. A team of two should conduct the visitation with one person conducting the questioning and the second person taking notes on responses and asking clarifying questions.

- Inquiry Area 1 – About the Entrepreneur & Their Venture.
- Inquiry Area 2 – Business Transfer Plans & Issues.
- Inquiry Area 3 – Engagement Attitudes.

Inquiry Area 1 – About the Entrepreneur & Their Venture. First, we need to gain information about the entrepreneur and their venture(s).

Q1.1 – Please identify and describe the businesses you own and/or operate in the Valley County region?

Q1.2 – Share some background on your business experience.

Q1.3 – We have a business survey that we would request you complete and mail back to us – would you be willing to complete the survey?

Inquiry Area 2 – Business Transfer Plans & Issues. Second, we need to gain as much information as possible about their pending and/or likely business transfer plans.

Q2.1 – How long do you expect to operate your Valley County business(s)?

Q2.2 – Have you considered or developed plans for transferring your business?

Q1.3 – Would you share your transfer plans with us?

Q1.4 – As you consider business transfer – what do you see as the major issues challenging the successful transfer of your business?

Inquiry Area 3 – Engagement Attitudes. Finally, we need to gain insight on the attitude of the owners regarding potential willingness to receive assistance under this program. Because there may be multiple stakeholders with different attitudes – understanding that a working consensus among these business stakeholders can be realized is important to targeting this business for assistance.

Q3.1 – Ord/Valley County is considering creating a program to provide customized development assistance to business like yours facing transfer – would you be interested in becoming part of this program?

Q3.2 – What questions would you need to have answered before you could decide to become part of this program? [list]

Communications. Two types of communication are required for this program:

Type 1 – To the Business Owner(s). Creating awareness of the program is important. Such awareness building should create appropriate expectations for the business owners that ensure their enlistment in the program.

Type 2 – To the Community at Large. Informal communication within a smaller community is quick and often inaccurate. It is important that the community be informed about the program to ensure its success. In Ord we recommend that the newspaper be enlisted to run a series of articles that introduce the program and provide progress reports monthly.

Sample communications are contained in the Attachments.

Transfer Assistance Program Elements. There are four elements to this *Business Transfer Assistance Program*:

Element 1 – Identification, Targeting Visitation & Enrollment. Addressed earlier in this tool. Regarding enrollment, we recommend consideration of a formal enrollment process involving the joint signing of a simple agreement that spells out the roles and responsibilities of both parties through this program. See the Attachments for a model agreement.

Element 2 – Private Transition Planning. A core element to the assistance package is private transition planning. Central to providing this service is the development of private sector teams capable and willing to provide this service. We suggest two to three options be developed. The participant will pay for this service. To make it affordable and provide an incentive to participate we recommend that the Development Corporation provide some level of match underwriting.

Element 3 – Customized Technical Assistance. The private transition planning will result in two outcomes. First, greater clarity by the owners on their options and preferences for transfer. Second, specific transfer issues will surface during this planning process. These issues must be resolved to enable preferred options to be possible. For example, if the business is marginally profitable, there may be a need for equity financing to enable a new owner to acquire the business. The program should offer customized assistance to help the business owners resolve these issues.

Element 4 – Support Infrastructure. A common set of issues will surface that are applicable to most transfer situations. The community should anticipate these issues and commit to building infrastructure to help resolve them. Some of the possible infrastructure needs might include:

- Family Counseling. These are family business. Multiple family members may have different expectations. Mom may want the oldest brother to take over the business. Dad may want to sell the business to a non-family member. The kids may want the business liquidated as soon as possible to get cash. Available family counseling to help all stakeholders reach a consensus around a plan is important.
- Financing. Financing is key. Ord has certain public and private financing tools. It should focus on building a specific business transfer financing package. Key to this package might include the following:
 - A partnership with local banks to (1) create loan offer expertise and (2) clear lending policies regarding these types of businesses.
 - Gap financing tools that match bank lending policies.
 - Independent equity investment lines employing local area angel investors.
 - Owner equity self-financing options.
- Sale Preparation. Like selling a house – there are clear things one can do to enhance the attractiveness of the business for sale. Creating good information about these attributes and incorporating them in to the planning actives gives owners good direction to enhance salability in the future.

- Pricing Assistance. Fairly pricing a family business is hard. There may be limited benchmark information to inform a possible price. Emotions may further challenge the ability of the owners to set a reasonable price. Pricing assistance is an important possible service.
- Buyer Development & Location. Finding and developing possible owners is a long-term proposition. But the community may want to explore ways to increase the potential buyer pool. Possible options may include working with commercial brokers to a youth program that engages young people in these businesses early.

Short-Term Planning. Life is unpredictable. A current owner may be healthy and plan to operate their business for another year. A heart attack, family tragedy or car accident can turn existing reality on its head. Part of the planning process should provide an emergency strategy given the one of these life changing events

Figure 1. Business Transfer Process

Identification	Targeting	Visitation	Enrollment
Private Transition Planning			
Customized Assistance			
Support Infrastructure			

About the Center

The Center for Rural Entrepreneurship is a RUPRI or Rural Policy Research Institute national research and policy center with founding support from the Ewing Marion Kauffman Foundation of Kansas City, Missouri. Our mission is to *enable every rural resident to achieve his or her full entrepreneurial potential*. This mission will be achieved by collaborating with individuals and organizations engaged in the study, practice and policy of rural entrepreneurship. The Center supports research, field work, and policy development through collaborations with national, state and community interests. For more information on the **Center for Rural Entrepreneurship** contact Taina Radenslaben at 402-323-7336 or taina@ruraleship.org.

