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Community Development and Small Business Training

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Community Development and Small Business Training

Market Report	Yr Ago	4 Wks Ago	2/23/01
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$67.84	\$77.98	\$79.86
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	93.45	93.58	92.75
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	96.79	95.57	98.33
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	103.97	118.94	122.58
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	41.63	37.00	42.75
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	44.00	*	55.00
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	111.80	111.20	115.00
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	80.88	75.00	95.50
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	170.00	160.00	168.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.80	3.32	3.15
Corn, No. 2, Yellow Omaha, bu	1.95	1.82	1.91
Soybeans, No. 1, Yellow Omaha, bu	4.76	4.38	4.29
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.22	3.48	3.59
Oats, No. 2, Heavy Sioux City, IA, bu	*	1.33	1.35
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	85.00	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	85.00	67.50	70.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	*	100.00	110.00
* No market.			

Findings from a CARI study conducted in 1997 illustrated the importance of business development as a key component of community development. Sixty-five percent reported that the development of small businesses was a high priority. In fact, in communities of less than 500, 72% of the respondents indicated business development would be an effective strategy for their community. How we work with these businesses can determine the future of Nebraska's communities.

One component of small business development is assistance for businesses in transition. As business owners mature they either retire and pass their businesses on to the next generation or they close their businesses for lack of buyers. The U.S. Small Business Administration shows that 90% of the 21 million U.S. businesses are family-owned, yet only 30% of family-run companies today succeed into the second generation. An even smaller 15% survive into the third generation. Most of the businesses in Nebraska communities fall into this category.

To help address the needs of business owners in transition, we can utilize community-based training programs for current business owners, as well as the new owners and current employees. The Nebraska EDGE Program is one type of small business training program that assists owners and buyers with their business plans and exit strategies. Other organizations such as the Rural Enterprise Assistance Project and the Nebraska Business Development Center can also provide assistance to businesses and are located throughout the state.



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The Business Owner

As business owners transfer ownership, there are four main areas of concern that we need to acknowledge when conducting training programs.

Control. Who is in control of the company during training and transition? If possible, owners can incorporate a training phase for the buyer, with a gradual shift of authority until actual business transfer occurs. If the owner wants to continue to be a part of the business, an advisory board or Board of Directors can be a useful tool--the previous owner's experience is maintained and helps to satisfy the owner's role to stay involved with the business.

Income or Liquidity for Owner. Providing adequate income or liquidity during retirement or death is very important to the owner and/or the owner's family. Money may be needed to cover daily living expenses, federal and state income tax, death benefits, etc. If liquidity is needed by the owner, then a cash agreement will be most desirable; if a stable income is needed, then an agreement that pays out over time will be preferable.

Estate and gift-tax liabilities. Tax laws are constantly changing and can have tremendous impacts on the business and owner. Consult professionals to assist with any business transfer.

Preserving the Business. Many owners are concerned about preserving the reputation of the business. This was their "baby" and they want to make sure it continues, especially if their name is still attached to the business. Agreements can be structured to assure that the successor has a vested interest in having the business continue.

Addressing the above business owner's concerns requires planning. Realistically, owners should plan 5-10 years in advance of retirement, or at a minimum have a plan ready in case they become ill or meet an untimely death. Of course, one of the greatest tools a business owner can have is a business plan that includes a plan for exiting the business, or sometimes called an exit strategy or succession plan.

Briefly, the components of an exit strategy are:

1) Owner decides on a target date for a change in role. The owner must decide what they desire for the future of the business and their long-term role in that business. Next, decide what plans must be made for

retirement and when a second generation of management should be in place.

2) Gain feedback. The owner must learn the perspectives of others who are affected by this transition. They may want to hold a business meeting, possibly with an outside facilitator, to ensure all concerns are considered before a plan is drawn up. This planning can take several years to be finalized to the acceptance of all, especially if family members are involved.

3) Create the plan. Ultimately, the owner must decide when and how to remove him or herself from ownership and supervision. However, developing the plan with the next business generation would be helpful to the success of the plan. As part of the plan, owners can develop transition milestones that will help guide the progress during implementation.

4) Publish the plan. Let all management and family members know the owner's long-term goals so they can plan accordingly.

5) Implement the plan.

The Buyer

Assisting the business buyers with business skill development can help the buyer realistically evaluate the business they are purchasing and prepare them for the tasks ahead. This is especially true if this business is their first attempt at self-employment. Training can help the buyer learn to successfully negotiate a purchase agreement, as well as prepare them to manage the business' employees and inventory.

Training can also prepare the owner and buyer for a smoother business transition. By bringing both parties together, they gain experience and insight into each others financial positions and objectives. The buyer especially gains experience and history from the owner, which will better prepare the buyer for management of the business.

The Employees

As business management changes, so too does the business. New opportunities and investments arise that require specialized skill development for management and employees. The Worker Training Program through the Department of Labor is a business incentive program to support the retraining and upgrading of Nebraska's current workforce. Information on their business support programs are located at

www.dol.state.ne.us. Additional resources are also available from the Department of Economic Development to assist Nebraska communities in developing business/education/community partnerships for workforce development, see www.neded.org for more information.

All of the above training programs can and do enhance knowledge and skills development for owners, buyers and employees. But they are not stand alone programs. Community development also requires active support and promotion of small businesses on an on-going basis. The results will be a healthy and vibrant business sector and community.

For more information on small business training programs, contact Marilyn Schlake, Nebraska EDGE Program, Center for Applied Rural Innovation, (402) 472-4138/(800) 328-2851 or mschlake@unl.edu.

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