



Enterprising Rural Families™

An Online Newsletter May, 2013 Volume IX,

Issue 5

This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of University of Wyoming Extension. For further information concerning the Enterprising Rural Families program or on-line course contact information@eRuralFamilies.org or go to <http://eRuralFamilies.org/>.

TIP OF THE MONTH:

WRITING A BUSINESS PLAN

A business plan outlines the basics of a business concept: the business's mission, objectives, products or services, management, and the basic marketing and financial plan. It is the document designed to reveal whether or not a business idea is workable.

Doing the research itself to complete the business plan can be eye opening and help you make many decisions, including avoiding mistakes and pitfalls.

Here are some of the things readers of a business plan will look for:

- Is the business idea viable?
- Are its products or services new, unique, or in some way better than current offerings?
- Does the business create or cater to a new market?
- Are the cash flow and sales projections realistic?
- Can the business be profitable and service its debt?
- Does the business truly understand and place priority on customer needs?
- Is the business concept clear, focused, and intelligently presented?
- Is the business concept based on sound research and analysis?

IS YOUR FAMILY OWNED BUSINESS READY FOR THE NEXT GENERATION?

BY HANNAH SWANBOM, UNIVERSITY OF WYOMING COMMUNITY DEVELOPMENT EDUCATOR

Congratulations! You have managed to build your business from scratch and are now looking forward to retiring and plan to leave the business to be run by a successor. As you begin to think of all the things you are going to do during retirement, an important question should be asked—have you done everything necessary to prepare the business for your retirement? If you have not created a succession plan, you are putting not only the business success in jeopardy but potentially putting the health of your community at risk. According to the literature, business succession planning is an important financial tool for the successful continuation of family-owned and operated businesses as well as the health of rural communities (Smith, 2010). Rural communities in particular are more likely to be affected by businesses closing than urban towns that have a higher volume of businesses located in town and in the surrounding area.

If you have not created a succession plan for your business yet, you are not alone. According to a survey conducted in 2006, 25 percent of the family business stakeholders who are entering their senior years have not completed or taken the necessary steps that are involved in developing a succession plan (Rojeck, 2006). Succession planning, when done effectively and thoroughly, helps to eliminate the loss of expertise and knowledge within the business, as well as keeping jobs in the community by keeping the business open, and saving time and effort of recruiting new employees. Furthermore, succession planning helps to maintain client relationships and saves time while helping the business remain financially stable.



So where do you start?

There are many important factors to consider when preparing a business to take on new management. The most important step in the planning process is to start early; it is never too early to start thinking about what needs to be done to the business to ensure its continuation after your departure. In addition, to

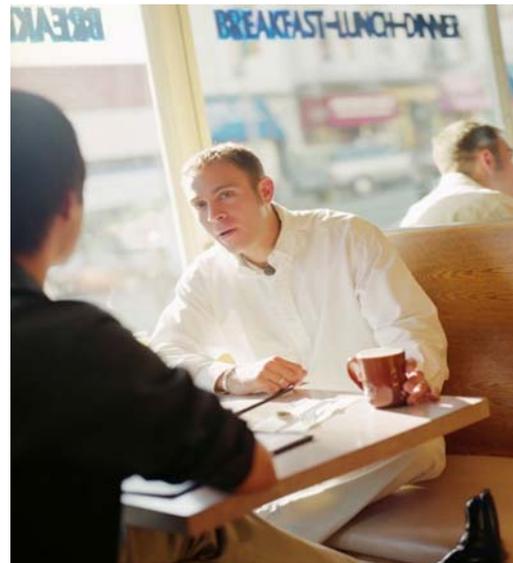


making the necessary business arrangements to guarantee the longevity of the business, it is vital that a successor is groomed and prepared to take over the business prior to your departure. In order to prepare your successor, whether it is a family member or an employee, it is essential to include them in the various business (financial, legal, and employee) decisions that are made. While developing your plan, it is also important that you communicate your expectations for them, as well as those of the business.

Furthermore, when developing your succession plan, it is imperative to establish clear goals and objectives for the business. When developing these goals and objectives, be sure to include your successor, so they too are on board and can contribute their goals and objectives. Once goals and objectives have been illuminated for the business, you, the creator of the business, should identify how much involvement you want to maintain within the business upon retirement (Rojeck, 2006). Not only will this help eliminate confusion or anxiety amongst your successor and yourself, it will set boundaries and expectations to follow during the transitional period and in the future. This allows the business to run smoothly and embrace the new change in management.

Clear communication is a vital component in creating a smooth transition from one owner to another. In addition, to communicating with your successor and employees, it is also important to communicate with stakeholders about their roles during the transition. Literature indicates that, by keeping constituents aware of the changes taking place within the business, not only will they will feel supportive about your decision to retire, they will also remain confident in the business and new management.

Remember, if you are planning to retire and leave the business to be operated by a successor, start planning and preparing the business for changes early on. Through early planning efforts and the creation of a succession plan, you, as the creator of the business, can enjoy retirement knowing that you prepared your business and successor for future success.



References

Rojeck, R. (2006, March 8). *Smart succession-planning*. Retrieved from

<http://www.entrepreneur.com/article/83806>

Smith, S. (2010). *Succession planning for family-owned businesses is critical for rural america*. Retrieved

from <http://www.rurdev.usda.gov/rbs/pub/ju110/legal.htm>



Enterprising Rural Families™

May, 2013 Volume IX, Issue 5