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Christy Kallevig: Welcome to Vital Connections On Air, a podcast brought to you by University of Minnesota Extension Center for Community Vitality that explores the trends and topics important to communities and leaders throughout Minnesota. My name is Christy Kallevig, and I'm an Extension educator for the Center for Community Vitality, and today we continue to explore Minnesota's workforce challenges by discussing the topic of succession planning--specifically business succession planning. I'm excited to be joined by Kathy Anderson, who is a community and business development specialist and economic development director with CEDA [Community and Economic Development Associates]. Thank you for joining me today, Kathy.

Kathy Anderson: Thank you, Christy.

Christy Kallevig: So let's start by having you tell us a little bit of about what CEDA is and the area that you serve.

Kathy Anderson: So CEDA is actually a private 501c3. We're a nonprofit agency and we're headquartered in Chatfield. We have anywhere from 15 to 20 employees and we serve numerous communities in southeastern Minnesota, in northern Iowa, northern Minnesota, and western Minnesota. Our primary duties are — most of the time — we're community business development specialists and many of us are economic development directors for the staff or the volunteer board. We do loan packaging, strategic planning, grant writing, grant administration. We staff the Economic Development Board as mentioned and we helped with their micro-enterprise loans. We do housing development assistance and our revolving loan funds. There's also a piece of that where we help with the community marketing, and so we do a variety depending on the assets and needs in each community. I am one of those associates. I'm in three communities, the City of Eyota, the City of Spring Valley, and the City of Preston. Specifically, succession planning was an item that was tackled in the City

of Spring Valley.

Christy Kallevig: Okay. So these communities...just for folks that are tuning in and trying to get their bearings, you're located down in southeastern Minnesota.

Kathy Anderson: Correct.

Christy Kallevig: You said that you tackled succession planning in Spring Valley. What brought that topic to the forefront as you were doing your work in that community?

Kathy Anderson: So, as a new economic development authority staff person, I wanted to get to know the different businesses in the community and that is done easily through a Business

Retention and Expansion study, they call them BR&E studies. When I went out to the different businesses, I was getting a real feeling. I was getting a feeling that businesses thought that they would just close and sell their building. They weren't seeing the value of planning ahead to sell their business with their building and how I could step in and help them with all their hard work of being a small business person actually get a larger return on the investment of time and human capital that they put into running their business.

When I saw that, I just happened to be able to go to a SMIF. It's called SMIF [Southern Minnesota Initiative Foundation] meeting for older workers leading success. That really led me into the different tools that were out there to help older workers along with the plans. [I] wrote a grant asking if we could try a pilot program. They requested that we have some partners and so my partners were RCTC, the Spring Valley Senior Living, and the Economic Development Authority in Spring Valley.

Christy Kallevig: Did you get any idea from these business owners why they didn't think of selling the business, but were more focused on the building?

Kathy Anderson: You know, I would just have to speculate on that. I didn't actually ask them directly why, but circumstances in the economy that time — people were older. We have an older demographic and they just felt like, "Okay, I've cut hair this long. I'm going to just stop cutting hair and I'm going to sell my building." Or on a larger scale, we had a bank president that passed away and the wife inherited running that business and succession planning was needed. It was requested by the board. Or on a completely different scale, we had a car dealer that in the case, I don't know if folks can remember back this far, but all of a sudden the smaller car dealerships were closing. They were leaving [because the car manufacturers] wouldn't provide inventory for the smaller car dealerships. So sometimes those things come up suddenly as well. It's

not always something [they] hadn't planned for. So suddenly you're faced with, now I run this business, or now I can't have cars, or I can't have appliances anymore because I'm too small and they won't give me the inventory I need. So sometimes it's sudden.

Christy Kallevig: Right, right. That's really interesting. So as you said, you've got your partners together and you wrote a grant and what type of programming were you looking at specifically to bring to Spring Valley?

Kathy Anderson: It was interesting. We didn't pick any one particular business. We just offered the concept and got a response that we had five or six different businesses interested. There was a variety of businesses and then our education partner, Rochester Community College, has a workforce development section. Spring Valley Senior Living actually connected me with that workforce development person and said, "Hey, we're doing some things, educational pieces with these folks, you know, talk to them." Well, wouldn't you know, they had just finished a pilot on succession planning and so they had some materials and they had a counselor that we could tap into with our grant funds.

Christy Kallevig: Perfect timing.

Kathy Anderson: Right, right. It was, you nailed it.

Then the other part of it was the willingness. To gain that willingness in a small town or a small town of 2,500 people, the residents and the business owners, you know, there could be a feeling or a concept like, "Oh, succession planning, you're going to go out of business or what's happening, are you sick? You know, what's happening? Why are people participating in this?"

Actually, it was just the opposite. It turned out to really strengthen and bond them together. We went through an approach where we did a kickoff meeting and one of the pilots from the Rochester Community College Workforce pilot program, they actually came and spoke and it happened to be a banker, a local banker in the area, so people knew him. They probably didn't know that their organization went through succession planning. But he was able to share his experience and how much they liked the consultant that was hired and so it really brought everyone together. So, that was another important step, was to have a kickoff. We had a luncheon together where we were all together and had the speaker.

Christy Kallevig: Am I understanding this correctly that as you went through this process, you used almost a four-step model, is that right?

Kathy Anderson: You're right. You're going to test me — this is a while back, so I don't have all the steps in front of me, but yes, we did the organizing and the planning and then we actually brought a consultant into the community and she was able--because there was five--she was able to meet with them even though there would be travel involved. She was from the Twin Cities. She was able to meet with several at a time and she already had a format to meet with them and so she did private meetings with the employees themselves and with the owners and really came up with some strategic ideas for them. Now, we did leave the implementation towards the end and we threw a celebration at the end of all of this where I brought in attorneys, brought in accountants, brought in other workforce development staff just so that they would get a feel for — now I need to do the legal part. I want to consult my accountant on this. So they were introduced to the tools so that they could finish with all of the knowledge that they had gained from working with the consultant.

Christy Kallevig: Right. So before you brought the business coach in, that was when you had this session where the area banker shared his experience, was there anything else that was a part of that or was it just really getting people comfortable with the idea that it's okay to come together around this topic?

Kathy Anderson: Yes, you've got it. It's basically making people feel comfortable in the participation, that there's not a stigma to that. You know, this is to strengthen the business community and to allow young people to step in and take over so we can retain those businesses in our community. So as mentioned, retention is just as important. Retention and succession planning go hand in hand for economic development, in my opinion. So we were just making people comfortable and then they had their one-on-ones with the consultant. It was very private. Everything was done very privately. I think that everyone felt comfortable because of that.

Christy Kallevig: Did you learn anything surprising, either from that first initial meeting or as the consultant was going through her interviews that helped you to understand the needs of the business owners better?

Kathy Anderson: Yeah, I think one of the pieces for me that was surprising of our local newspaper went through succession planning and he said in his testimonial that he had spoken with a friend at a reunion and the friend had said what will you be doing next and it really made him think about what will I be doing next. So then when the succession planning was offered, he went back to that conversation and thought I need to participate. Then, of course, we had this transition going on between a father and a son to take over the business and in that situation, there's a lot of other employees at that business. So finding out how we can retain those other employees as that transition goes on. Very important. Like I said, just that feeling that you can involve your employees, especially for the bank who's going to be the next bank president? Do I even want to be a bank president? How do your employees really feel? I felt like people got a really good sense once they participated in that. The other thing that I would mention, too, is I had an electrician that went through this and he had been thinking about it ahead of time, but every time he reached for tools it was so expensive and he could not fathom spending that much money as a small business owner on succession planning. He's training in new employees and losing them and thinking they might be the next one to take over. So having a coach to help him through that process was important. So there was a lot to learn.

Christy Kallevig: I think that that is such a great point that sometimes when you are a small business owner, it's hard to think about the money that you need to invest in the process. So you were able to offer this to the participants at no cost through the grant?

Kathy Anderson: We did have a small cost, under \$200, just so that they would be invested in the process. It helped with the grant match as well and it was just to be invested in the process, but it was a very little compared to some of the numbers that like my electrician had shared with me. He saw numbers like \$5,000 and \$10,000 and they were able to get this business coach for several months for under \$200 and then they could work with their attorney and their accountant to put the rest of the pieces together.

Christy Kallevig: So what are some of the things that you have seen following this program? Have you seen some change over within the businesses or what can you share about that?

Kathy Anderson: Well, I'm glad to share two things. Number one, it was a pilot program and had never been done before. So we were really just kind of going with the guidelines we had written in the grant, and every business that we are discussing is still in business and running strong and has different people with different roles in it at this point. One of the other things is we were able to hand the program over. So my economic development board had said, "Hey, I think there's a few more businesses that would be interested in doing this."

We actually had two other ones, I won't share what they were because they were pretty specific. But two other ones that went through it, but the way they were able to go through [it] was [because] I asked the county if our county would be willing to write a grant for succession planning and then offer the program through the county. Eleven more businesses in the county

then went through succession planning using our model and then two more businesses within the community then went through that process. One of the wonderful things as we saw, one of those or both of those businesses [were sold] but continue on. That is exciting when you're in a town of 2,500 people and you want to see those businesses retained.

Christy Kallevig: So when you say that there are new people in positions and that those businesses are still operating, what do you think helped make those transitions happen? Was it tools that you provided or just having a better understanding of how to move forward?

Kathy Anderson: Sure. Thinking back on both of the businesses that sold both of those we're able to do that on their own with the coaching. It was tough because one of them had a family member and I think the parents had kind of hoped that the family member would take over, but it really wasn't the direction once they had the coaching, they felt they were wanting to go. So they were able to put their business up for sale and sell it. I also feel that when I look at some of the others, the first five that we did, you know, it was just those folks were empowered by the coach. None of them needed additional tools to continue on, other than what we did at the end with the celebration where we had different speakers and we had the different folks come in with their specialty, they just needed to continue on and meet with their professionals, their accountants and their attorneys. I think that's really helpful in the strategic part of it. But the coach herself, Connie, did an excellent job. Each one of them was very happy with her.

Christy Kallevig: I know that we've focused mainly on the support that you offer to the business owners who are aging or wanting to get out of their business. Was there any support offered to those who maybe came into the business or the new leaders? New owners?

Kathy Anderson: Yeah, exactly. So in the case of the bank, it really helped clear up, you know, what his roles were and where they were going with those roles and when it came to the father and son to have the younger son come in and take over the business and the other staff there that really helped with the transition. Each person was heard by this consultant. The owners could take all of that into consideration — you know, you don't want to lose a key employee because your son who is maybe younger than they are even is coming in to take over the business. So, again, like with the newspapers still open, still same owner, but it helps them look for those key employees or hire those key employees that might be the person that gets the succession of the business.

Christy Kallevig: So what are some opportunities or challenges that you have been able to see as you went through this process within Spring Valley?

Kathy Anderson: Challenges, you know, I don't think we could've done it without the grant and without our educational partners. So we were just very fortunate at the time that it was an initiative that the Southern Minnesota Initiative Foundation found important. They knew that there was the change in baby boomers getting older and how do we transition a businesses and how do we educate older employees? We did another portion at that time. We also helped older workers learn to navigate the computer for education. So we were actually doing a couple of things at the same time, but I think financially our biggest challenge is that we just wanted to make sure that we could cover the cost of the consultant and do it in a way that we could

maximize the use of her time financially. The same thing happened when we turned it over to the county. They were able to do this because of the grant funds and maximizing her time when she came down.

Christy Kallevig: What advice would you have to share with other communities who might be thinking that they need to do something in their community to start the conversation or provide support to business owners?

Kathy Anderson: Sure. Well, first of all, I think that the BR&E study is most important. Assign someone in the community to go out and talk with as many of the business owners as you can. They'll get assessed to...

Christy Kallevig: Business Retention and Expansion survey. Right?

Kathy Anderson: Exactly. Yeah, and I would encourage them to use the questions in there and then get their own sense. Number one, they also should take a look at their demographics. I mean, in one of my communities, the median age is much lower than it is in Spring Valley, so when you see that median age and you compile that with the BR&E study that you do and how you get a feeling for that, you'll know if indeed succession planning might be an important process in helping your local business owners, and it's easier to retain a business than to find a new one.

Christy Kallevig: That is very true. Besides having the grants. Tell me about those partnerships that you created. How important was it to make sure that you have the right people at the table in order for this program to move forward and be successful?

Kathy Anderson: Had the business coach or consultant Connie not been well received in the community, not had the demeanor that she had. People had not felt that this was as private as it was. I think that could have been a stumbling block, but the fact that she was private, also the fact that she just has a wonderful demeanor about herself. She's done this for a long time. She knows what kind of questions to ask and she's done it with large corporations. So she can work from the smallest of businesses all the way up to the largest businesses. So our educational partner, Rochester Community College--Abby Hellickson was at the time the person that helped--they had that tool already in place. So we were very fortunate that they had vetted a very good business consultant.

Christy Kallevig: As the program expanded to be a countywide program. First off, remind me which county that is and then also how closely did they follow your model or were there any changes or additions that they made?

Kathy Anderson: So they did do it a little bit differently. So Spring Valley is located in Fillmore County and they took the exact pilot program that we wrote. However, they did not do the first and last steps. They didn't do the come together and have someone speak, the program was slightly familiar to folks already and they knew that they could call and talk to anyone that's been through the process at that point. Then secondly, at the end they didn't do that celebration. But when you're in a small community versus a county, those steps were important for us.

Christy Kallevig: Absolutely. Was there any differences in outcomes that you might be aware of between how you did it in Spring Valley and how Fillmore County did it?

Kathy Anderson: No, I couldn't really comment on that. Sorry about that. I just, I know of the other two that went through it and they had success and they thanked me. One of them had never wanted to get involved with city government or any types of programs that we could offer before. So it was genuinely surprising that they went through it and at the same time the outcome was excellent for them and it just, it made me very happy.

Christy Kallevig: So that's great. That is just wonderful.

Kathy Anderson: People work really hard when they own their own small business and anything that I could do to maximize their profits when they go to sell or keep their business thriving and their employees happy. It was a great experience for me as well.

Christy Kallevig: That is great, and I'm glad that you added that because we often don't think about your experience as the specialist in the situation. So I think that that's great because if you aren't enjoying it or feeling good about it's hard to keep moving forward as well.

Kathy Anderson: At the end of Southern Minnesota Initiative Foundation, which provided a \$20,000 in funding for this, they actually had us come out and present on succession planning and brought two of our partners and we did sort of a trifecta presentation. Explaining each one of our roles and I know it was well received and we did get some questions after that on how their communities or their businesses could go through the succession planning. I do believe that the consultant got some additional work after that as well. So it's nice to see it at the level of a city, it's nice to see it at the level of the county, and then to share it with the region like we did at the end.

Christy Kallevig: Right. I appreciate you sharing it with us here on our podcast so more people can hear about it. So what do you think is next for you in Spring Valley?

Kathy Anderson: Well, Spring Valley is actually was chosen through Southern Minnesota Initiative Foundation and work with the University of Minnesota Extension to participate in REV, which is called Rural Entrepreneur Ventures and we will be at a three-year program. Right now that's just started and with that we are looking at things like an incubator program where we can take some of those spaces that are vacant right now and look at ways feasibility to maybe reduce rents, provide office furniture, find out what the tools and education are to bring entrepreneurs into the community and keep them, help them be successful. So we're looking at how to build new entrepreneurs, continue to keep our existing businesses, and then we're for just the next 6 to 8 months, we're participating in a community event called, "Making it Home" through the University of Minnesota Extension Office. "Making it Home" is a community marketing initiative, kind of looking at the assets that are in the community, what might be missing, how do we welcome, retain and draw in new residents.

Christy Kallevig: You have a lot going on there, Kathy.

Kathy Anderson: Hey, we do. I'm a one day a week employee. So, how do you like that?

Christy Kallevig: It sounds awesome. I look forward to maybe having you back on the podcast again to talk about REV. I think that that's a very exciting program and I'm glad to hear that you're participating in it.

Kathy Anderson: Yeah, and I have to see that I have to give my board a lot of credit because a succession planning was new and they had to put money into it themselves to help this along. Then if you look at REV, we're putting a lot of human capital and time into REV, the Rural Entrepreneur Venture. So the fact that they're open-minded and willing to be the first to try something, be part of a pilot program, says a lot for them and the fact that they want their community to flourish and grow and they're willing to try things that maybe no one else has tried before and we might not do it perfect the first time, but we can learn from that too.

Christy Kallevig: All right, well thank you so much, Kathy, for joining me for the podcast and we will make sure to share a link to CEDA's website so folks can learn more about you. But thank you so much for sharing the exciting happening in Spring Valley.

Kathy Anderson: Oh, thank you, Christy, very much.

Christy Kallevig: Thank you to Kathy Anderson from CEDA, Community Economic Development Associates, for joining us for this episode. To learn more about CEDA and the work they do, visit cedausa.com. We will continue to feature information on this important topic and others on the University of Minnesota Extension's Center for Community Vitality webpage, which can be found at www.extension.umn.edu/community. Make sure to follow us on Facebook and Twitter to stay up to date on new research and resources for communities and those who lead them. We're going to be taking a little break from the podcast, but plan to be back in June with new guests and topics. We hope that you will join us then for another episode of Vital Connections on Air.