

Southwest Washington Estate Planning Council

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Holland & Knight

Business Succession Planning

Why (and how) Do We Do What We Do?

Why We Are Here

IF THE TURBULENT TIMES WE LIVE IN HAVE NOT MADE US THINK ABOUT
WHAT WE DO, WHAT WILL?

Why We Are Here

TO QUOTE THE (IN)FAMOUS CHRISTOPHER P. CLINE, ESQ:

“WE DON’T SELL WIDGETS. OUR JOB IS TO HELP OUR
CLIENTS SLEEP AT NIGHT”

Why We Are Here

THE SUCCESSION OF A FAMILY BUSINESS

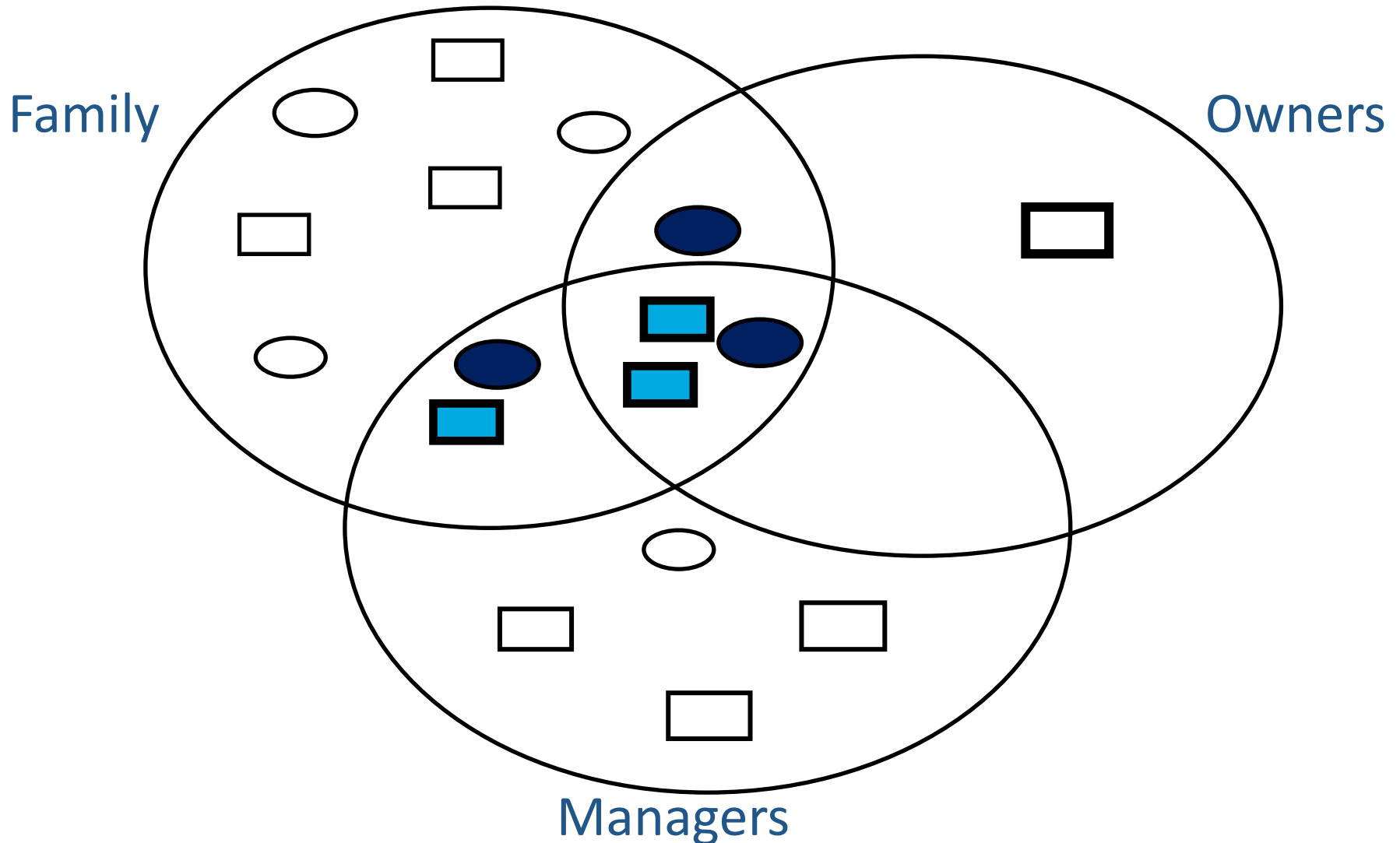
THE SUCCESSION OF A BUSINESS

THE SUCCESSION OF A FAMILY

What Has to Happen

- Communication
- Governance
- Constructing Policies & Processes
- Developing the Next Generation
- Senior Generation Letting Go

THE PARTS AND PIECES OF FAMILY BUSINESS



Family & Business Development Across the Generations

	Development Stage	Business Form	Business Leadership	Business Strategy	Board of Directors	Family Form
G1	<i>Founder/ Entrepreneur</i>	One business, one location	Centralized patriarch	Informal, instinctive	Minimal	Mom as CEO (Chief Emotional Officer)
G2	<i>Sibling Team</i>	One business, several Locations	Sibling team or one family member	More professional and shared	Addition of trusted advisors	Transition to next generation female(s)
G3	<i>Cousin Consortium</i>	Several allied businesses or holding company	Possibility of first non-family leader	Data based, more formal strategic plans	First objective, independent outsiders	Formal family structure

Common Patterns



Common Patterns



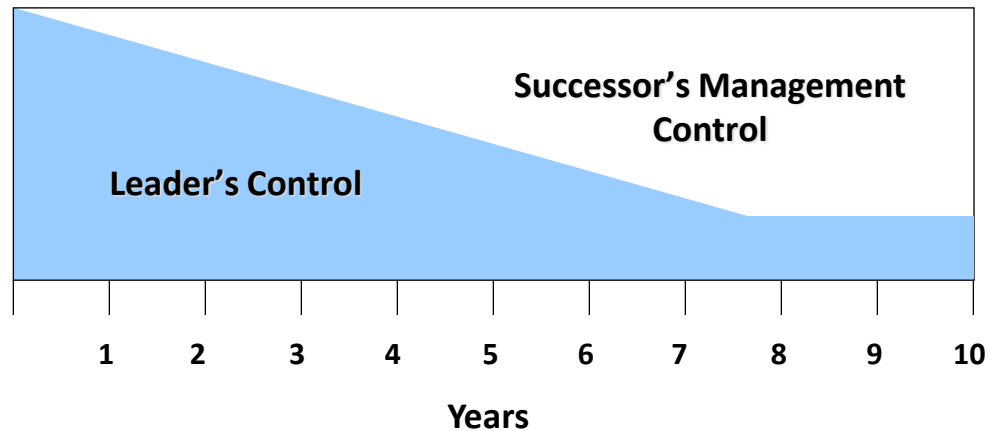
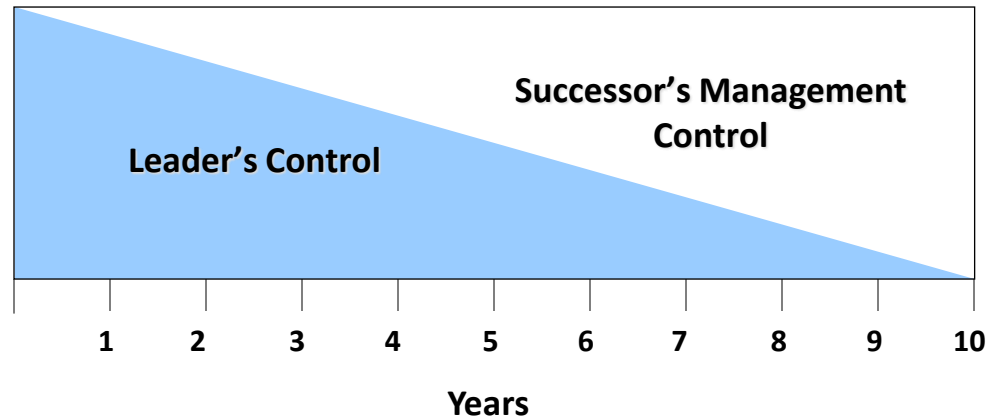
Delay and delay and ...

Common Patterns



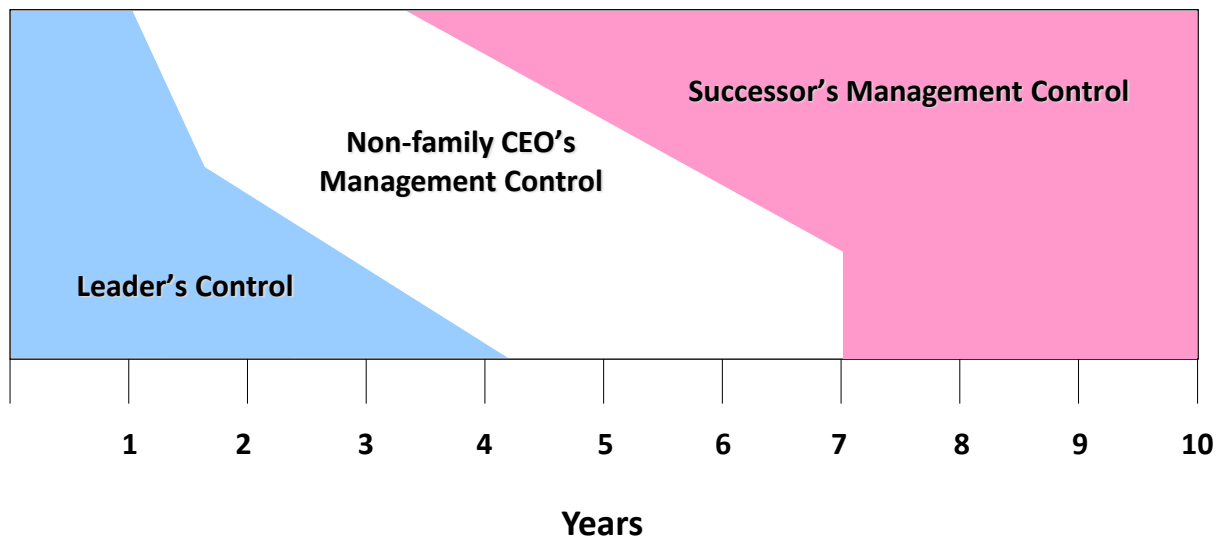
Here, Gone, Here, Gone, ...

Common Patterns



Gradual/Progressive

Common Patterns



Non-Family Interim CEO

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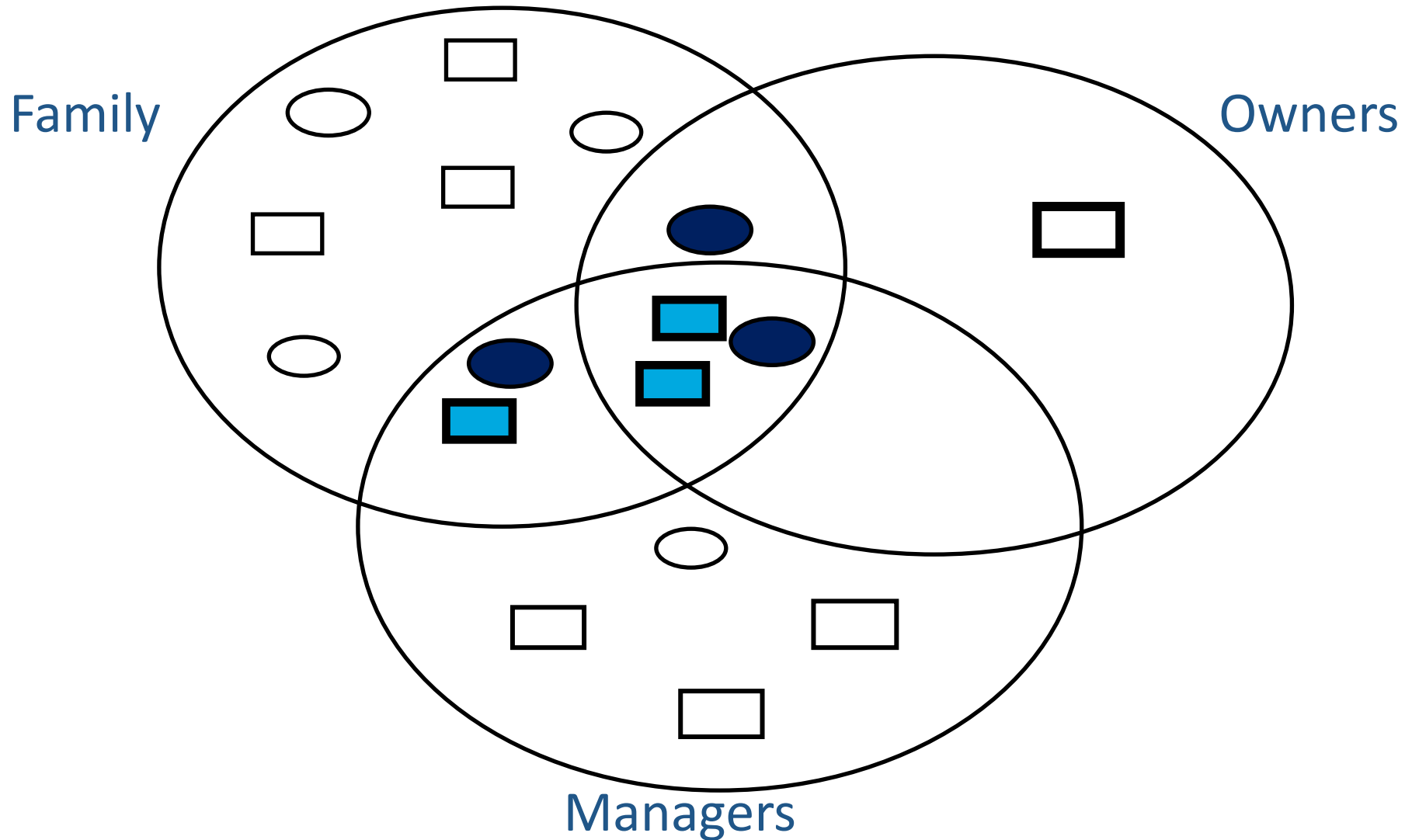
Communication

- Family Meetings
- Face to face conversations
- Work hard to listen – Don't just think of the next thing you are going to say
- Become Business Partners
- Develop an adult relationship

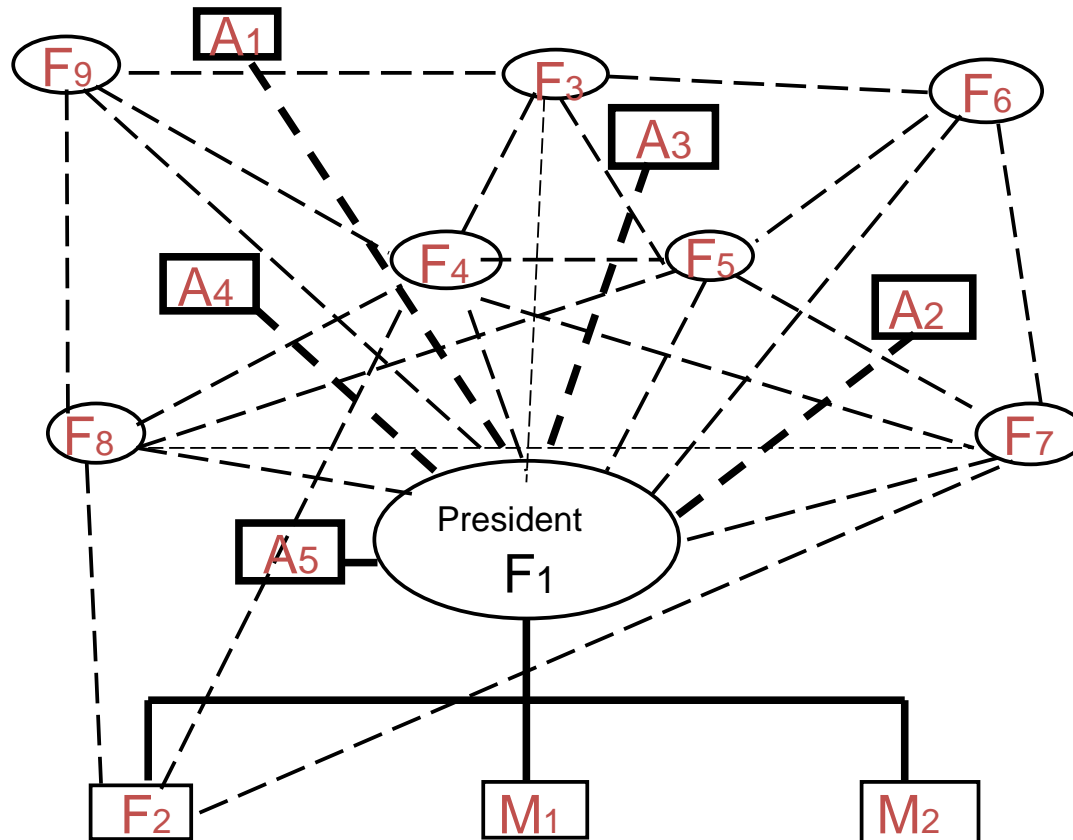
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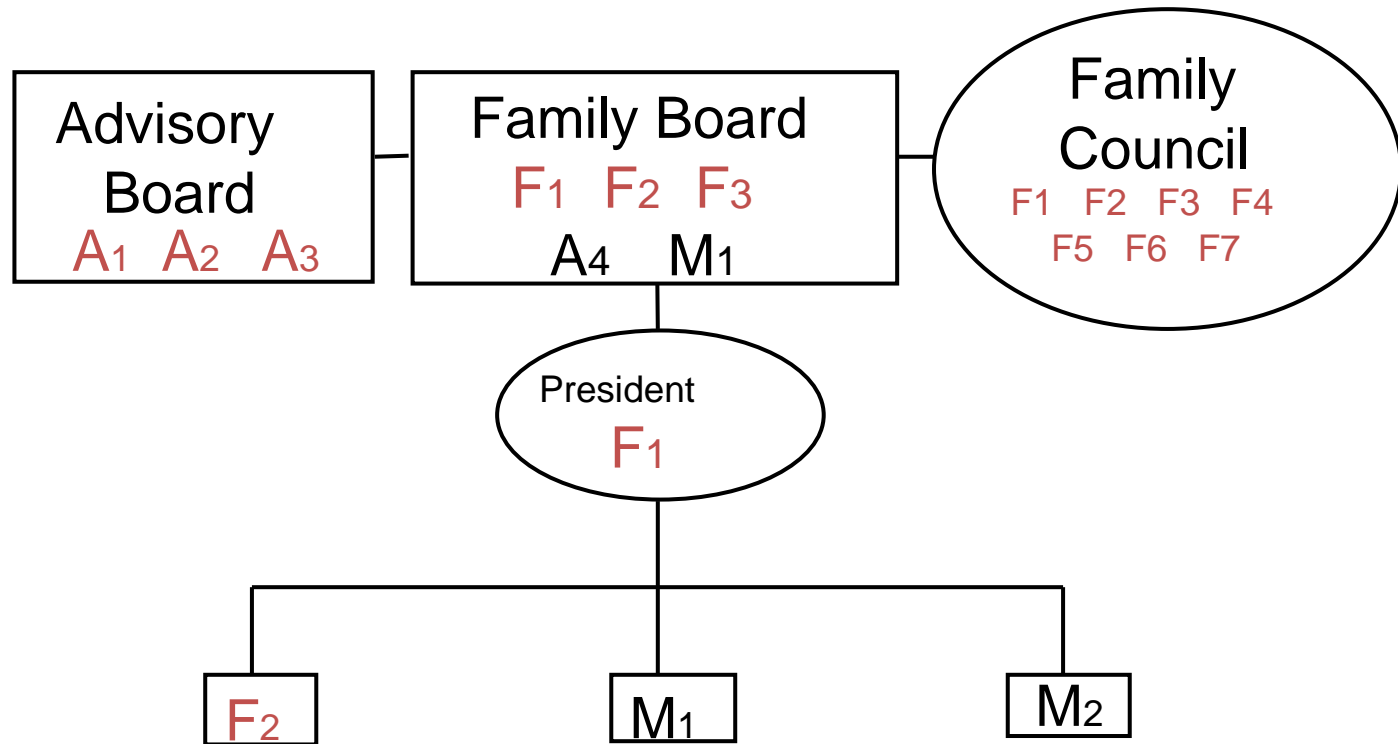
THE PARTS AND PIECES OF FAMILY BUSINESS



Entrepreneurial Stage



Professional Stage



Tips For Better Governance

- Clarify Roles - Owners, Managers & Family
- Owners have regular board meetings
- Develop a professional board
- Managers meet on a regular basis
- Family meetings including spouses and children(?)

What Has to Happen

- Communication
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- **Constructing Policies & Processes**
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Policies to Consider

- Employment / Participation of Family
- Compensation
- Buy-sell agreements
- Dividends
- Code of Conduct

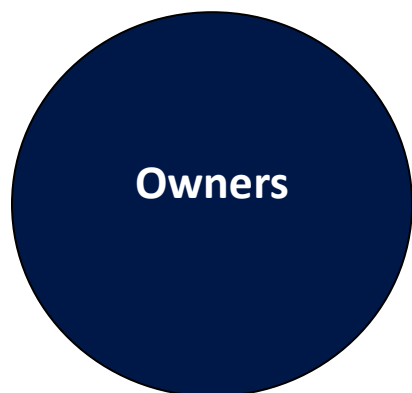
Employment Policy

- Entry rules (education, experience)
- Who will be included in “the family”?
- Type of employment – is it restricted?
- Career planning –roles, reviews & plans.
- Conditions of termination and re-hire

Compensation Policy

- Family members wages vs. fair market?
- Performance bonus (real or a dividend)?
- Perks
- Family member benefits
- Is equal fair?

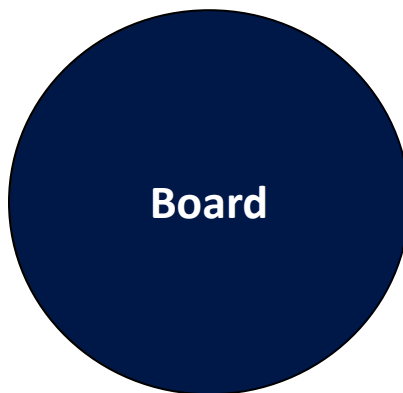
Be Clear On Monetary Benefits



Owners

Dividends

**Appreciation of
Business / Stock-
Price**



Board

Meeting Fee

Committee Fee

**Special Project
Fee**



Management

Salary/Wages

**Performance
Bonus**

Benefits

\$

Buy-Sell Agreements

- Ownership criteria
- Voting rights
- Expansion of the family
- Under what circumstances can/should stock be bought or sold?
- Time horizon for payout
- Role of the Board of Directors

Dividend and Loan Policies

- How will dividends be determined?
- Who will decide on dividends?
- Loans to family members / shareholders?
- Purpose and amount of loans.
- Reporting of loans to shareholders.

Code of Conduct

- Decision making
- Conflict management
- How do manage our public image?
- How do we talk to each other?
- Spouses, parents, and employees?

Plans You Will Need

- Strategic
- Estate and Financial
- Next Generation Development
- Compensation
- Next Career or Retirement
- Shareholder Education and Development
- Values, Vision, & Mission

Tips For Developing Clear Policies and Processes

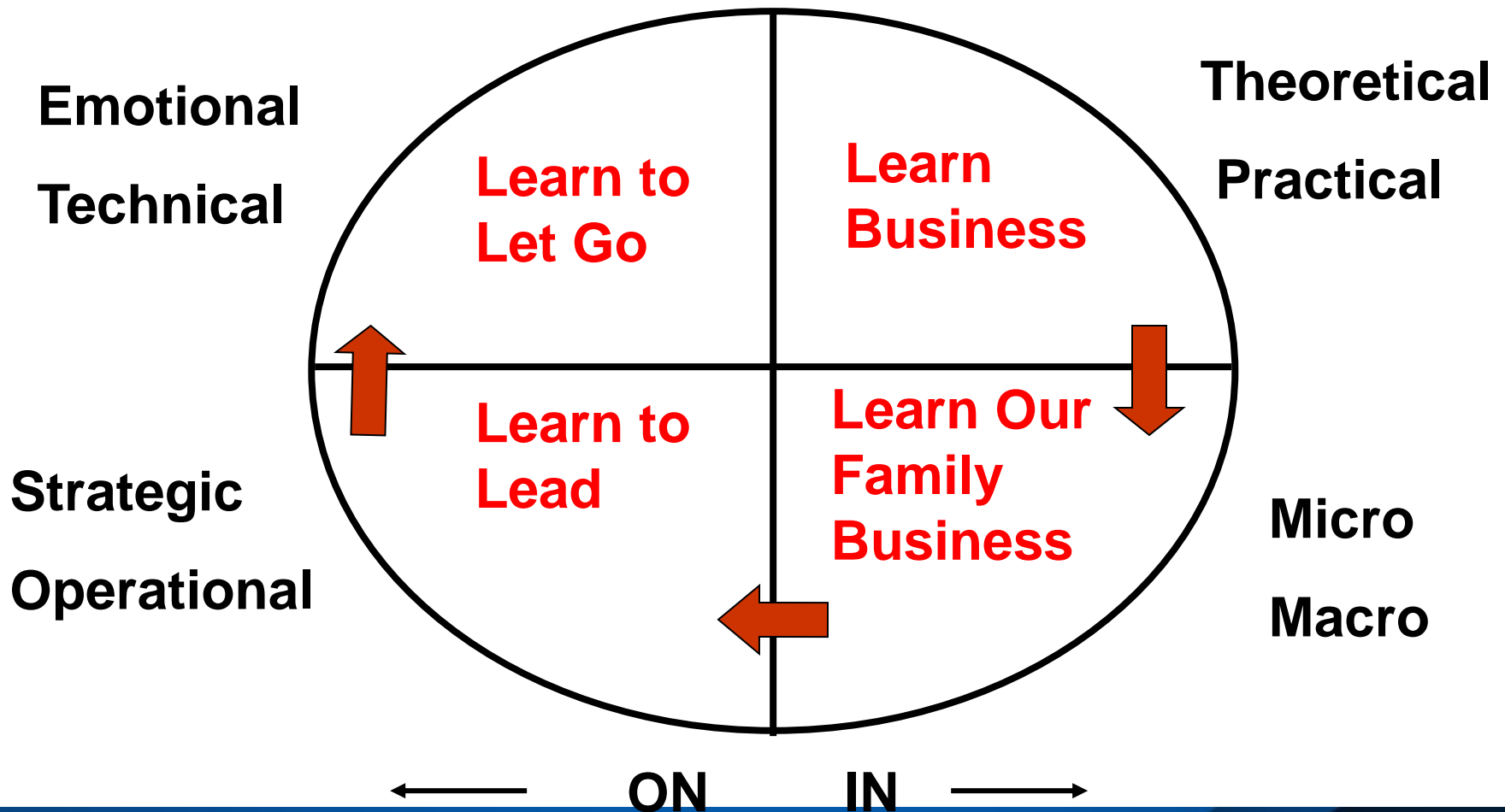
- Everyone has a role (F-O-M)
- Job descriptions and org charts.
- Performance reviews.
- Develop rules of entry before kids are in HS.
- Structure exit rules.

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Learning Family Business

(Moore & Barrett)



Next Generation Challenges

- Confidence and self-esteem
- Pull vs. push
- Develop earned respect & credibility
- Skill development in the public eye
- Experience: bumps, bruises, scrapes and cuts
- “Young Man’s Disease”
- Team vs. “me”

Next Generation Pressures

- Stand in the shadow of a legend
- Predecessor respect vs. foster change
- Deflect constant comparisons
- Replace leader with no parental power

Tips For Developing The Next Generation

- Start early!
- Work outside the family business.
- Provide mentors to guide them.
- Encourage involvement in peer groups.
- Emphasize community involvement.
- Develop a career plan together.
- Provide opportunities for siblings and family to work together when young.

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Senior Generation Challenges

- Incomplete dream
- Dealing with the shift of power & control
- Need to be needed and valued
- Finding ways to enjoy life
- Redefining purpose and roles
- Helping the successor succeed
- Letting go
- Marital stress

Needs Of The Senior Generation

- To be fulfilled through tangible tasks
- Something other than rest
- To be connected with what I've built
- Personal and spousal security
- Dignity

Tips For Senior Generation Letting Go

- The concept of retirement is dead.
- Don't retire from somethingretire to something
- Develop a role and stick to it.
- Don't be a "Seagull"
- Get your affairs in order and fix any problems that you created.