

# Family Business Success(ion)

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What is success in a family-owned business? Initially, it is the same as any other business: making a profit, growing, increasing market share, and building a good organization. Family-owned businesses often define their ultimate success as the ability to pass the business on to the next generation of family members or even key employees.

As the baby-boom generation approaches retirement, family businesses are in the midst of an unprecedented turnover in management and ownership. Emotional discomfort with succession transition is the number one concern of families who own businesses. Family conflicts, lack of a long term vision for the business, lack of retirement security for the owners, and other tax and legal issues deter many family businesses from creating a succession plan.

The consequence of not having a written succession plan is that the family business will not survive the loss of the owner. Emotional and financial upheaval will be the legacy for any business that does not put procedures in place to ensure a smooth transition from one generation to the next.

Do you want your business to be part of your legacy to your family and community? If so, it all starts with planning for the transition. It can take three to five years to implement a succession plan. There are a number of steps along the way:

- **Assessment** – Determine where you are, where you want to go and whether you have the resources available to get from here to there.
- **Contingencies** – What will happen if you are not around long enough to fully implement the plan?
- **Family Meeting** – Is your family aware of and supportive of your objectives? Do they know what you are trying to accomplish?
- **Strategic Plan** – Is the business strong enough to survive and thrive in the future? Are your key people in the process of implementing a long term business plan?
- **Exit Plan** – Will you be able to gracefully exit the business when the time comes? What will be the source of your financial security? What will you do with your time? Is there “life after business”?
- **Successor** – What are the qualities that your successor will need to take the business to the next level? Who has those capabilities? Who can train or mentor your successor?
- **Management Team** – Who are your key people? Are they supportive of your plan? Will they work well with your successor?
- **Leadership** – Who are the future leaders of your business and your family? What can you do to build your “bench” of leaders?

- **Board of Directors** – Do you have a Board that meets the strategic needs of your business? Does it provide a fresh, outside perspective or is it dominated by advisors or family members?
- **Family Issues** – How are family issues or conflicts discussed and resolved? How do family members learn about the business?

In their 20+ years of working with and advising family and closely held businesses in Southern California, Rachel Owens and Bill Sornstein of Succession Strategies have built expertise in designing and implementing succession plans for clients. *“Succession planning is all about implementation,”* according to Owens. *“The thing that stops most business owners is family conflict or at least the fear of family conflict. What owners may want to focus on is the positive energy and momentum that can be created by starting a succession plan. Working towards a common vision can help foster long term family harmony as well as business success.”*

While there are sometimes added challenges within a family business, there are also many positives. The most committed and trustworthy employees are often family members. Family businesses tend to treat their employees like family and have excellent work environments with low turnover. They also care about the local community and are actively involved in community events.

Many family business owners see the business as a major part of their legacy to their family, their employees and the community. Succession planning is necessary to ensure that the legacy survives intact and thrives into the future. As management guru Peter Drucker put it:

*The final test of greatness of a CEO is how well he chooses a successor and whether he can step aside and let his successor run the company.*

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*Bill Sornstein and Rachel Owens are Principals in Succession Strategies, Inc. They help family owned and closely held businesses survive and thrive across several generations. See more information at [www.succession-strategies.com](http://www.succession-strategies.com).*