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Continuing the Family Business

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The day will come when you're no longer in a position to lead your family business. Whether it is planned or not, you'll never be able to say with absolute certainty when it will be the right time to pass the family business to the next generation to assume control. This doubt causes many family businesses to leave succession planning until the last possible hour.

Exiting the family business can also be a very emotional subject that can cause a lot of current and future family problems. Knowing this fact is why all of those family members involved need to address succession planning effectively in order to avoid serious hiccups down the road that could include financial loss, business failure and even a family breakup.

Here are a few thoughts to keep in mind when designing your succession plan:

- Succession planning should be incorporated into both the family and business structures. You should make your leadership transition a formal discussion, rather than one that is just casual in nature. Doing so will allow for a better chance of a successful business continuation.

It is best to create a transition plan with goals and objectives that are communicated clearly to all parties.

- For a well thought out succession, a business owner should allow a five plus years. Shorter time frames might be long enough to complete the technical process, but may be too quick when considering all of the other transition items such as the emotional side of stepping down and giving up control.

The transition should be combined into the overall forward-looking strategies of the business with careful consideration given to all aspects of the process.

- How successful will the next generation be at retaining clients and continuing the revenue stream?

One of the best ways to retain clients is to actively engage the business successor in meetings and planning opportunities with existing clients for a number of years before the transition takes place. A level of comfort and trust needs to be developed by all parties.

- Integrate a financial structure to incentivize and support the transfer that needs to take place.

In many cases, this integration requires tweaking the compensation structure for both the current leaders/owners and the future leaders/owners. Implementing a supporting financial structure makes sure that both parties are ready when the time comes to pull the trigger.

- There needs to be an alignment of family interests taking into consideration the current owners and the new generation. If done incorrectly this could cause interfamily disputes that could have a devastating impact on the continuation of the business.

Taking into consideration some of these items early and head-on could help prevent a lot of challenges later when you are forced to make a transition. Doing anything but designing a smooth exit could hinder the company's transition into the next phase of family leadership.

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