

## **Transitioning the Family Business**

When you own a family business, it's easy to get caught up in the day-to-day activities. And it can be easy to put off having those important, strategic discussions with your family about the future of your business. However, communication between you and your family becomes an essential ingredient of a successful business transition.

In the past few articles, we've been looking at steps to take for a successful succession plan for your family-owned business. We've discussed making the decision to begin a succession plan, obtaining the value of your business and understanding your options for transitioning the business. The fourth step in this process is assessing where you, your family and your business are as you begin planning for the future.

As we work with family-owned businesses, we sometimes find that owners make decisions without first talking to other members of the family to determine their desire to be involved with the business. A better approach is to develop a family strategic plan.

Developing a family strategic plan begins by answering some very specific questions. The first question is determining what the goals are for the business. If your long-term goal is to sell the business to an outside party, you will create a very different strategic plan than one in which the business will be transitioned to family members, so this is an important question.

If the goal is to transition the business to your children or other family members, then we must ask them their goals and desires. If they share your interest in the business, you'll want to begin to plan how they can participate, how they will be trained and how you can help them become successful. It becomes important to develop policies and criteria for hiring family members into the business. Will they be required to go to college? Work outside the business for a few years?

You'll also want to address family members who do not wish to be involved in the business. How will they be treated fairly in the estate?

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Laying every family member's goals and desires out on the table is extremely important for the succession planning process and for the future of the business. But it's not always an easy process. Often family relationships can bring sensitive issues to planning sessions. Using an outside advisor that you trust can help you facilitate this meeting and keep the discussion focused on the future of the business and working toward meeting everyone's mutual goals.

By developing a well-defined family strategic plan that is interwoven into the business strategic plan, you can build communication and team-building among your employees and family, building consensus on common goals. This can lead to increase productivity and better management decisions. With proper succession planning, you can help your family-owned business beat the 70 percent of businesses that do not make it to the second generation.