



Uniting Generations for Success

Carol Butler

8 Steps to a Seamless Transition of Value and Control

	Talk (T)	Plan (P)	Make Agreements (A)
8. Process Status & Next Steps	✓	✓	
7. Stakeholder Communications	✓	✓	
6. Optimizing Legal & Tax Structures	✓	✓	✓
5. Valuation & Financing Perspectives	✓	✓	✓
4. Strategic Planning	✓	✓	
3. Goals, Expectations & Contingency Planning	✓	✓	✓
2. Forming the Team	✓	✓	
1. Foundations for Succession	✓		

Whether You Are A
Family Business or a Business Family

You must still plan for succession



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Step 1 – Foundations for Succession

Communicate, Communicate, Communicate

- Understanding communication styles
- Obtain communication and conflict resolution tools
- Family meetings - a way for families to communicate

Assessing Readiness

- Founder / Owner: Identity and retirement concerns
- Successor: Personal and professional career development



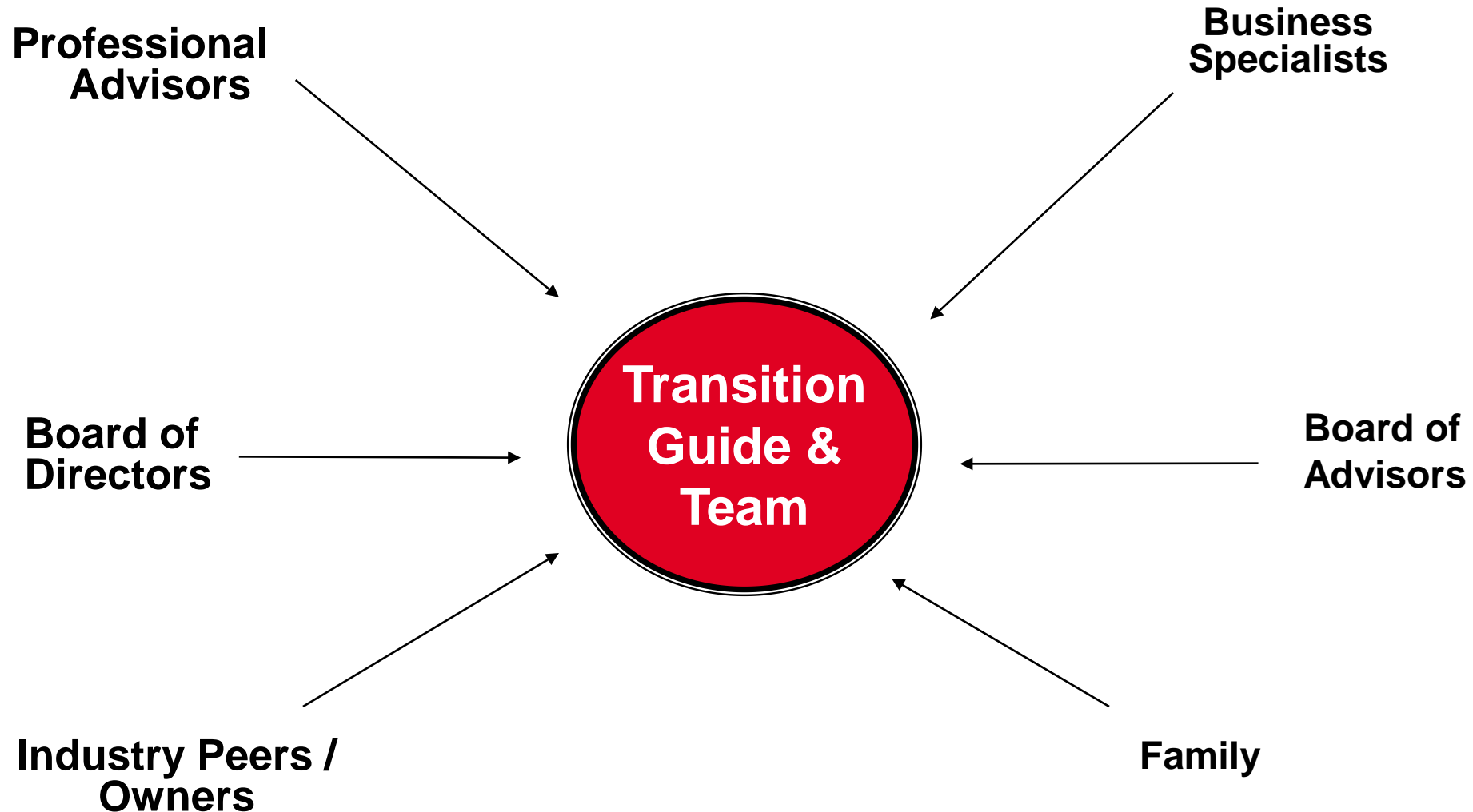
Transition Readiness

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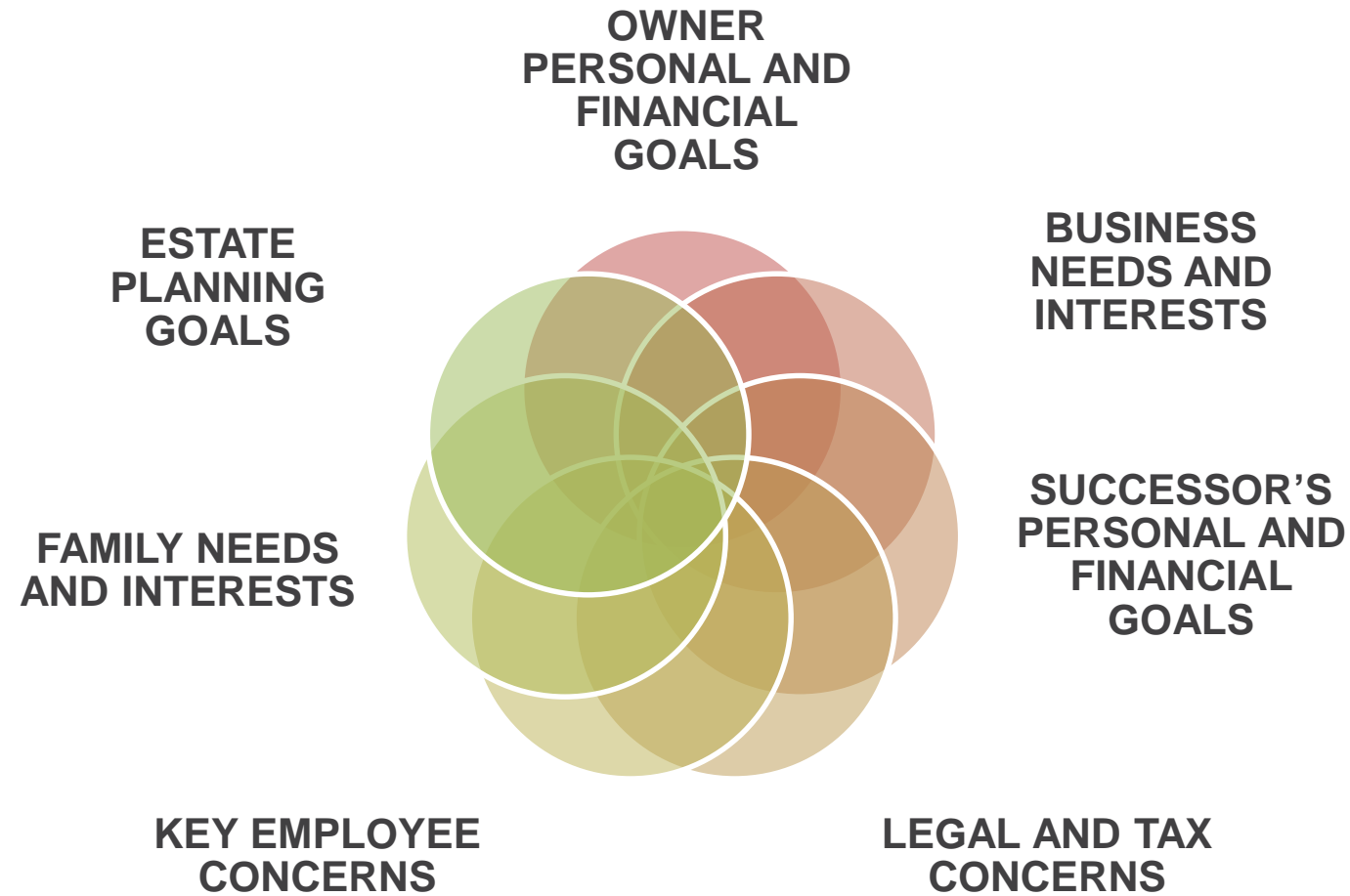


Member Sources for the Transition Team

- Look for Experience -



WHY? Different Goals & Interests to Reconcile



What the Team Will Do

Assist in formulating the succession plan

- Identify issues
- Coordinate communications
- Present alternative solutions
- Develop a legal structure
- Minimize income, capital gain, gift and estate taxes
- Help implement and manage the succession plan

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Goals of Current Owners

- Family harmony
- Family member employment
- Dispute resolution
- Selecting individuals to lead & control
- Fairness
- Financing the purchase price
- Security and protection of the business
- Financial security during retirement

Goals of Successors

- **Control**
- **Family harmony**
- **Financial concerns and affordability**
- **Earning respect of employees**
- **Smooth transition and retaining key relationships**
- **Balance family interests with business interests**



It's All About Communication!



Goals & Expectations

Contingency Planning

How to handle unexpected and uncontrollable events.

Operational and legal contingency planning is needed:

- Death
- Disability
- Retirement
- Termination

Involving owner, successor, or another key employee

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Business Strategic Plan

Develop, regularly update, and communicate a business strategic plan with continuous measurement of the plan results.



Dynamic, Changing Environment Requires:

- Strategy: a collection of choices about *how we are going to win* in the future; what we will do and not do
- Execution: the discipline of accountability – implementing the choices we make

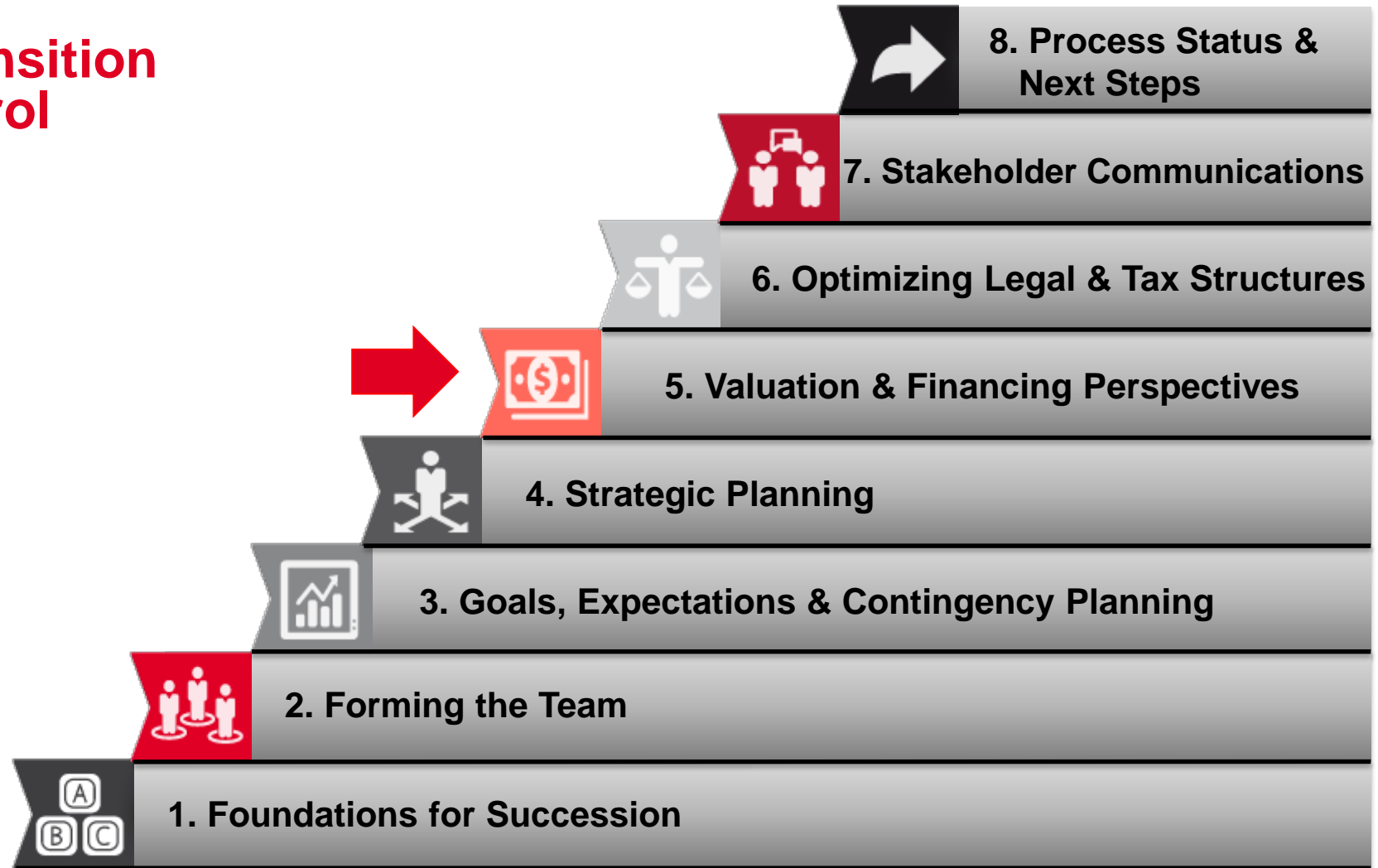
Business Strategic Plan

(Quiz - Is there evidence?)

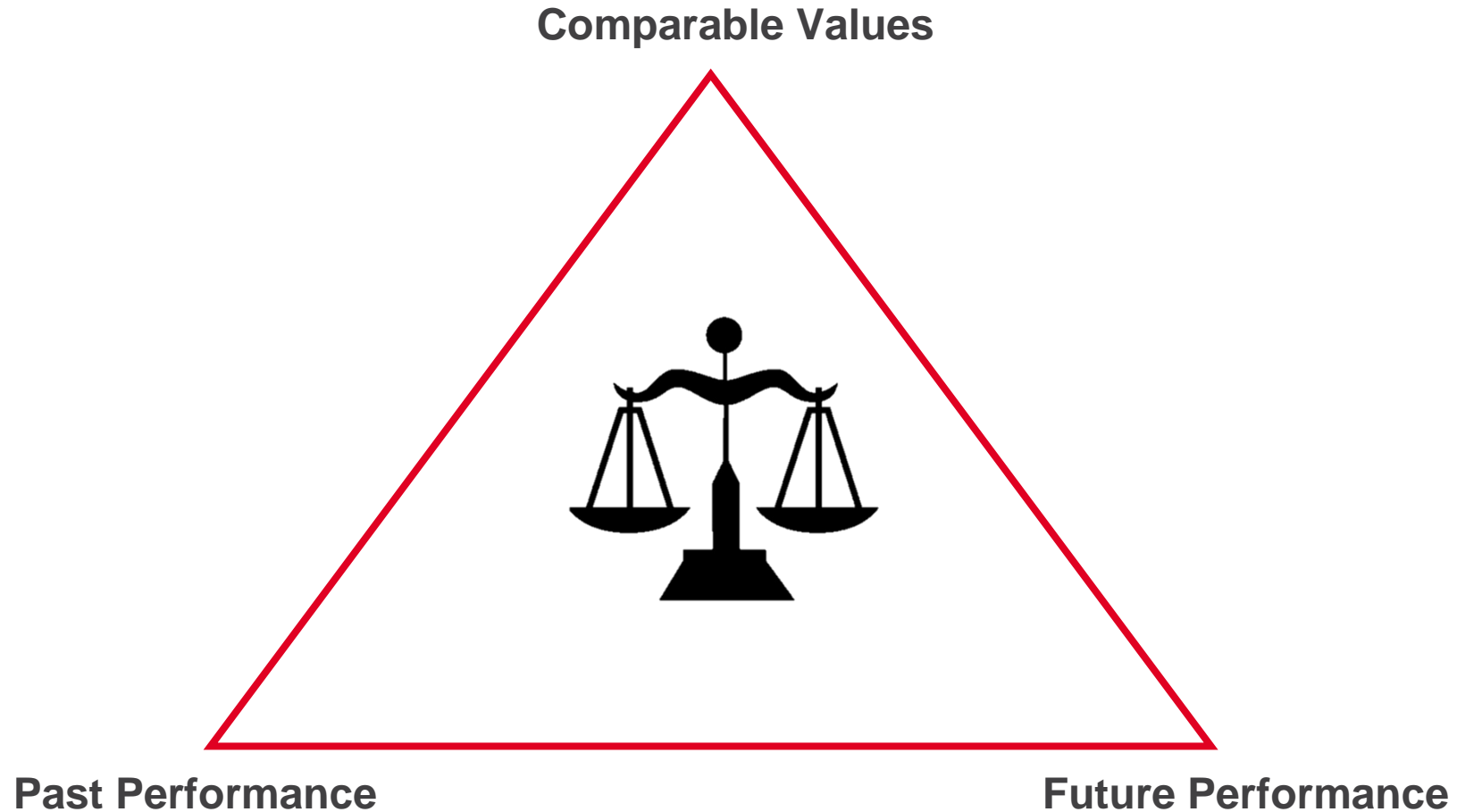


- ☐ Clear, measurable future goal(s) to guide the organization.
- ☐ Stated goals are consistent with the market & business context.
- ☐ Employee actions are consistent with management expectations.
- ☐ There is honest discussion around issues.
- ☐ Decisions are translated into action quickly.
- ☐ Measurable evidence of how well the strategy is working.
- ☐ Common knowledge of core strengths and core customers.
- ☐ Evidence that not all orders are the same.

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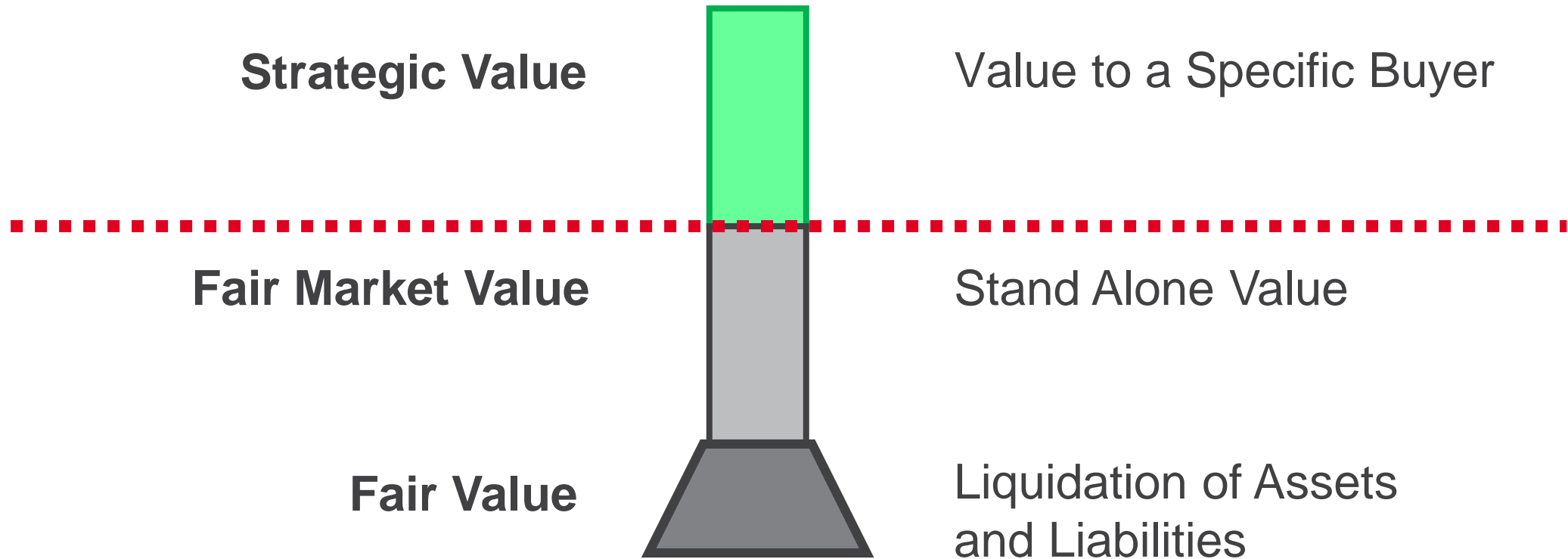


The Triangle of Value

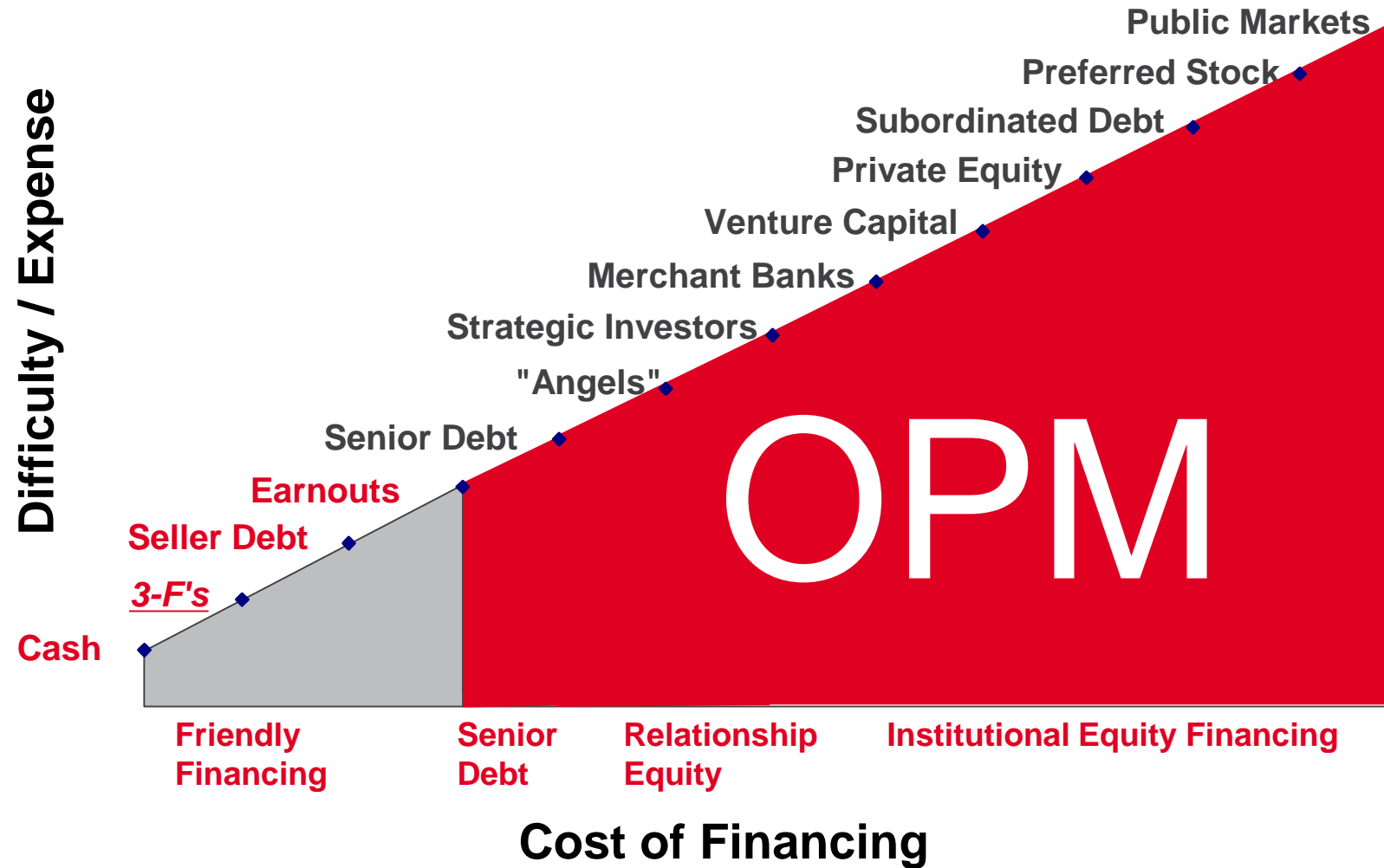


The key is the quality of future plan.

Perspectives of Value



Spectrum of Financing Alternatives



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Driven by Goals of the Transaction

(Remember Step 3?)

- Maximize Payout to Current Generation
- Maximize Wealth Transfer to Subsequent Generations
- Maximize Value of the Business
- Minimize Financial Burden on the Business & Surviving Owners
- Minimize Taxes – Federal/State/Local; Income/Estate/Gift
- Ensure Good Leadership
- Minimize Disruption to the Business / Maximize Stability

Goals of the Transaction

(Continued)

- Prevent Outsiders from Getting In (i.e., in-laws, spouses – ex and future – creditors, etc.)
- Create Employment Opportunity for Family
- Provide Fairness to All Heirs
- Ensure Survival of the Family Name or Heritage (i.e., a Legacy)
- Minimize Family Disputes and Dissension
- Take Advantage of Timing

You will need that team (including attorneys)

Form of the Transaction

If Goal is to Keep Company in Family:

- 3 Major Options or Combinations
 - Gift
 - Sale
 - Redemption
- Need Buy / Sell Agreement to Complete and Control Transfers



Form of the Transaction

If family succession is not an option:

- 3 Major Options
 - Private Equity
 - Strategic Sale
 - ESOP
- Don't do this alone!

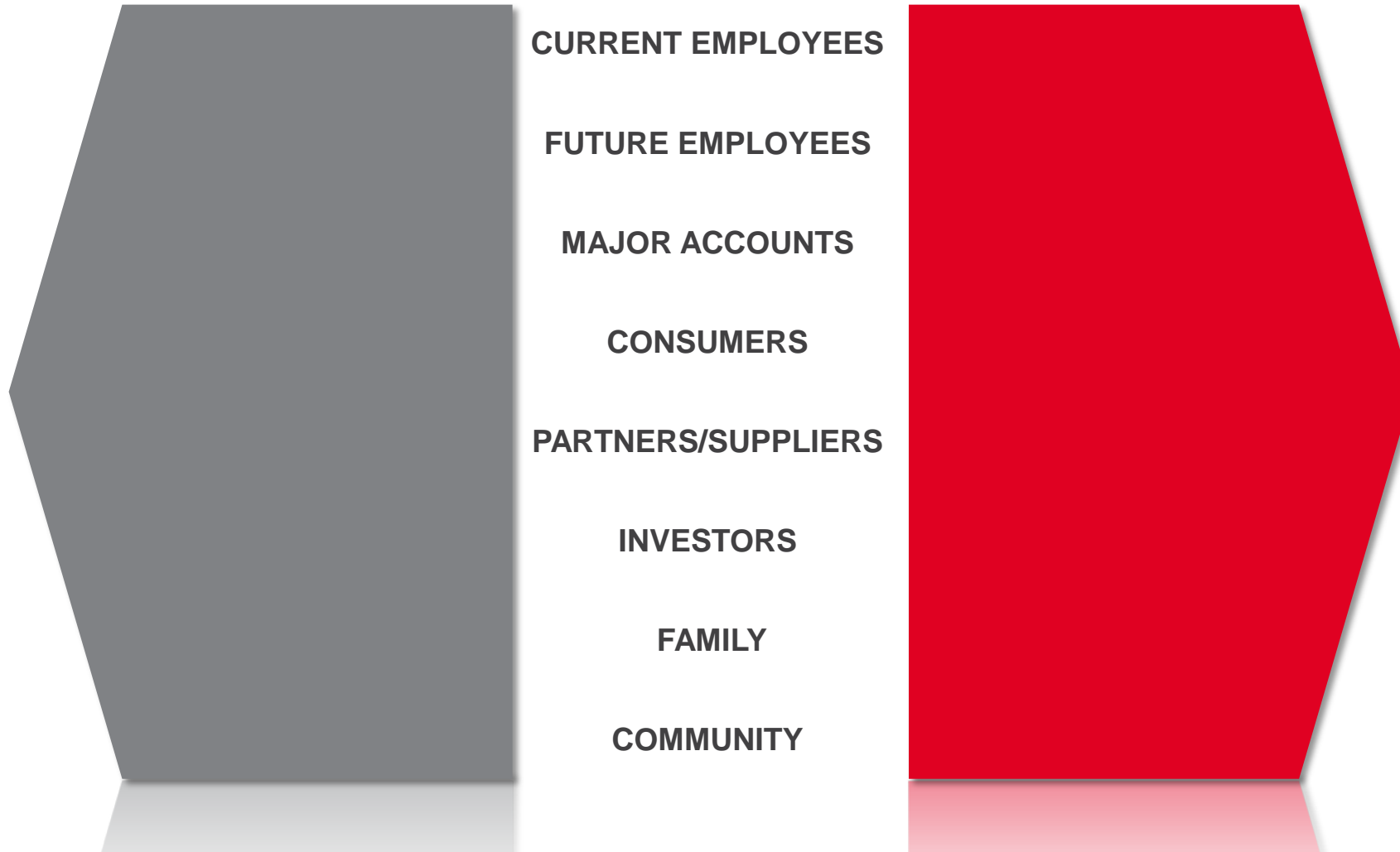
Also used:

- Deferred Compensation
- Consulting Agreements
- Non-Competition Agreements
- Remember, the Health Insurance Dilemma

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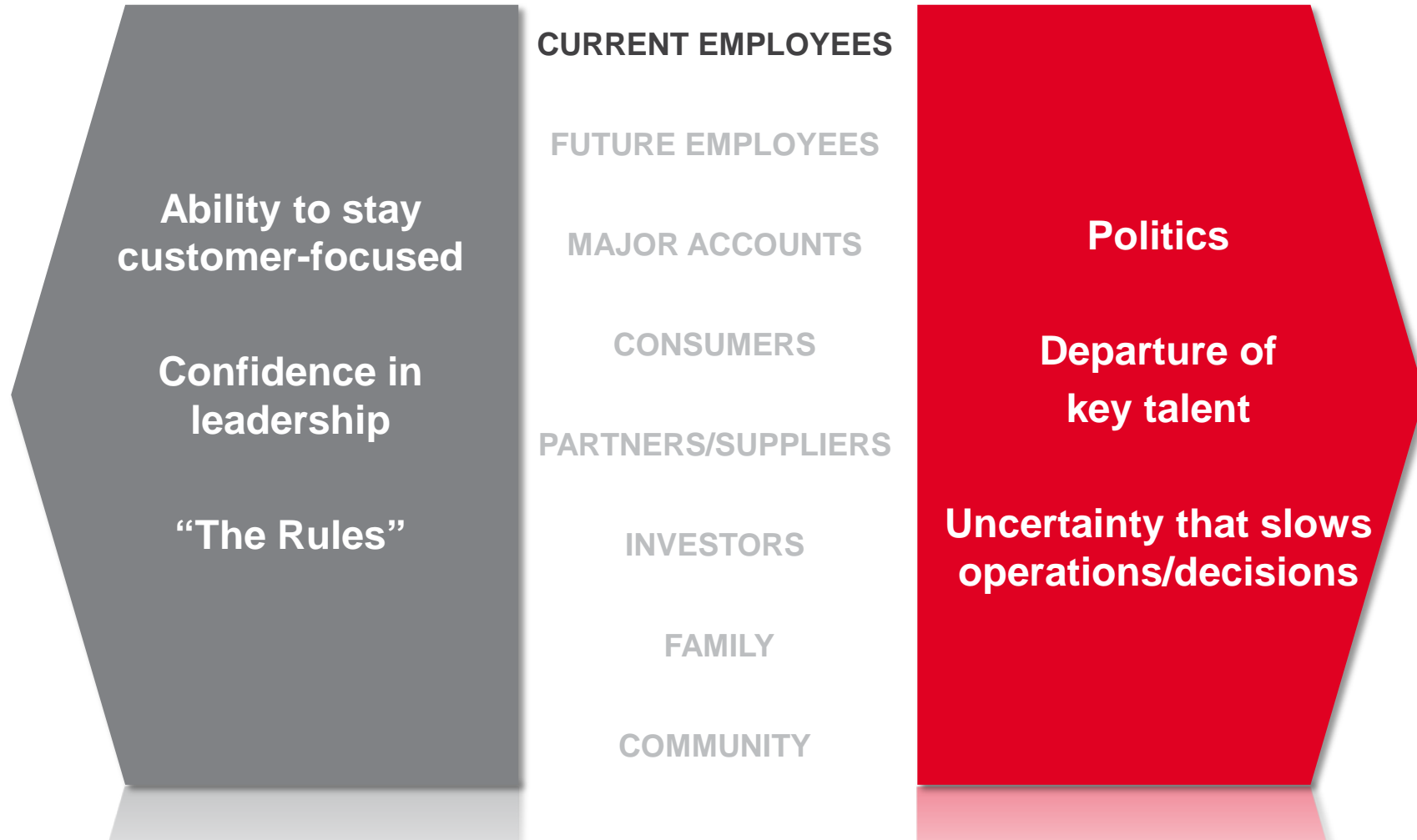
Stakeholders



Key Elements

- Understand/anticipate stakeholder interests
- Develop communication tools and strategies
- Develop communication timeline
- Leverage the opportunity of a successful transition

Stakeholder Reactions



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His legacy, her future.

Next Generation Institute

Overview Breakfast: 9/25/18

GOERING CENTER



