



## 6 DISCUSSIONS EVERY FAMILY IN BUSINESS SHOULD HAVE TOGETHER

**The odds of a family business succession are not good** – 33% make it to the second generation, and only 3% make it to the third generation. What's going on? Are the kids that numb? No! My experience is that for the most part, the parents are that numb! Not on purpose, but they have created a mess, and when pushed into the corner of their retirement, they have run out of time to course correct. So what happens?

Numerous things, but here are six discussions you **MUST** have with your family business and with your family:

- 1 No gimmies:** If you want any chance to transition your business to your kids, your kids must develop a healthy attitude about money. One of the biggest problems we see in generational changes is the loss of entrepreneurship. What is the key factor missing? The hunger of how to meet payroll on Friday! If it is just given to you, it is very difficult to teach "getting in the trenches and figuring it out."
- 2 Voice:** If you want your kids to be successful in the family business, make sure they have a voice in coming into the business. And we find some of the best ways to make that happen are:
  - Develop a minimum amount of post-high school education. Some of our best family businesses require graduate degrees to be eligible (not guaranteed) for management positions.
  - Require the kids to work outside the family business for a minimum of five years before interviewing (not guaranteed) to come into the family business. They will figure out how to survive in a company without the family blanket, and they will bring ideas and innovation back to the family business.
- 3 Competence:** Your last name does not guarantee you a job. Any child coming into the business must meet or exceed the job requirements they are applying for.
- 4 Kids become adults:** This is a huge issue in family businesses. It is very difficult for parents to see their children as adults. They will always be your children, but successful family businesses find a way for the parents to shift this critical relationship so that the children begin to gain respect (from others and themselves), accountability, and leadership.
- 5 Senior generation financial independence:** No one is going anywhere if the senior generation hasn't developed a plan for financial independence. The sooner a plan is developed and implemented to create this independence, the faster the succeeding generation will likely step up and run the business. A generational killer is locking up the senior generation's net worth in the business. Work early to start getting net worth out the business.
- 6 Governance:** Too many family businesses get myopic, trying to keep their business lives private. But this attitude is often the kiss of death. The best family businesses put non-family employees on the management team, hold their leadership teams to annually develop a strategic plan that they are accountable for, put outside family members on their boards, and have structure for the family in the form of a family council anchored with a family constitution.

**If you are serious** about your family business and its legacy, **get to work now.** Too many senior generations think "I have time; I'll take care of it tomorrow." Well, you don't have time. Your kids are making decisions about their future. So are key employees. And the markets keep changing. Not sure how to start the conversation?

**Reach out** - we are here to help.