

Introducing Family Business Consultants into the Exit Planning Process

Statistics widely quoted by estate planning writers indicate that "only" one-third of all family-owned business are passed on to the second generation, and "only" 10 percent of family-owned businesses are transferred to a third generation. Similar to other exit planning scenarios, creating a successful family business transfer is virtually impossible without a simple planning structure to support the exit. With family run businesses, though, the challenge is even greater. This challenge is caused by the inevitable interweaving of family dynamics with the dynamics of an owner exiting his or her business. How then, should you approach transferring your business to your family members?

The foundation of a successful family business transfer is still the same The Seven Step Exit Planning Process™ that we use in all other business sales and transfers. The Exit Planning Process™ not only integrates all points of view into a single, unified strategy, but it also organizes a business owner's priorities and can be easily modified to reflect additional considerations unique to family business transfers. For the transfer of business ownership and control from parent to child to be deemed successful, you must achieve all your exit objectives, including:

- Meeting your financial goals and objectives, completely divorced from reliance on cash flow from the business.
- Complete transfer of business operation and ownership control to the younger generation. This usually means that you are out of the business and are not needed in the business for any reason.
- Intra-family fairness regarding distribution of family wealth and businesses.

In this article, we will focus on the third objective stated above and discuss the best way to deal with the emotional and behavioral issues associated with family business transfers. Family businesses are ubiquitous. Some are mom and pop shops and some are multi-billion dollar enterprises. Each has its own set of business, ownership and family issues.

The need to address these issues has spurred a cottage industry called "Family Business Consulting."



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Although the issues are as old as business, the field is relatively new. A Family Business Consultant is someone who has roots in a particular area of expertise (legal, financial, management science or behavioral science), but specializes in helping ownership families and family-owned businesses navigate the complexities that arise when mixing emotions, identity, legacies, intentions, goals, beliefs and assumptions about business, ownership and family based on the past, present and future.

Often, owners get stuck in the family and interpersonal emotional quicksand. In this case, the best Exit Plan typically ends up not being executed, leaving the owner in a situation that doesn't meet his/her exit planning objectives. The role of the Family Business Consultant is like that of the Panama Canal pilot captain. Your business advisors help you navigate the vast ocean of topics such as estate, wealth and business planning opportunities. When it comes time to go through the tough areas such as the family dynamics (emotional and behavioral issues) that inevitably arise when any type of change threatens to occur (leadership, control, succession, wealth transfer, etc.), family business consultants help you, your family and your advisory team navigate the nuances of the special passage way, rather than suffer through the otherwise long tumultuous journey around the problem. Once the transition has occurred and open communication is flowing among all parties involved, the Family Business Consultant turns the ship back over to you, your family and your advisory team to navigate the ocean of opportunities on the other side.

If you have any questions about Family Business Consultants, please contact me to discuss your particular situation.

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