



Tips for Transitioning the Family Business

“It’s never too early to start a succession plan,” states Dan Crowley of Peerless Business Solutions, an Allentown-based firm specializing in family business transitions. “The key is to plan the succession so that everything transitions smoothly and is well-thought out because a family business has so many aspects to it.”

To begin succession training, these questions should be asked:

- Which family members want to be in the family business and why?
- What roles do they want to play?
- What are the skills and expertise they bring to their roles?
- How much time is needed to develop the needed skills and expertise?
- What steps need to be taken for shares to change hands?
- What are the tax implications of selling or gifting shares?
- How will control be transferred?
- What is the timeframe for transition?

Starting with these questions in mind will make for a smoother transition.

The biggest mistake family businesses make is to assume that the transition will happen naturally, without effort, but that is rarely the case.

In a family business, the current owners may have gone through a transition that was totally unexpected due to a family death, divorce or economic factors outside of their control. But, in today’s world, so many more resources are available that the transition can be planned out and executed without wrecking the business and the family.

Start with a team: Assemble a team of outside experts who can bring specific expertise to the planning process. In addition to your CPA firm, you’ll need legal expertise as well as professionals who can guide the family through the multiple choices in stock transference, establishing trusts, developing buy/sell agreements and other legal structures that protect the business and account for children who may have no interest in the business.

Inventory the next generation: It’s not always clear which of the next generation may be the best leadership for the company, especially if the family members involved go beyond siblings to cousin status. Use assessments and organizational development experts to assess all potential family members, even if they are not currently working in the business or living in the area. As family members mature, they may discover that they

want to come back to the family business after all, and they may end up being the best candidates. It’s a good idea to require all family members to work in other businesses before they work in the family business.

Give the plan the time it needs: Sometimes the business owner wants out NOW, but the best transitions from one generation to the next happen when the planning process is given the time it needs. Objectives and goals change over time, as the business owner and team look at the scenario of transition. Give the planning process three to five years for the best results.

In the end, the transition from one generation to the next can be achieved without tearing a family and a business apart. Focusing on the end goal, and using a good team of experts, is the key to success.

