



ASPEN FAMILY BUSINESS GROUP, LLC

DEEP RELATIONSHIPS. ENDURING LEGACIES.

Lessons Learned from the Next Generation By William E. Roberts, CLU, ChFC

Meet the Mason's – A real family whose situation is typical of those we see and whose confidentiality we are protecting. They are a wonderful family who owns a very successful distributorship, located in the Midwest. The business was founded by a strong willed leader who was imbued with a set of values he passed to the present generation: values such as hard work, spirituality, the importance of family relationships, and continuing the family business in the family. The current ownership generation is attempting to pass along all of these values. The current ownership is made up of three brothers and a sister, however the third generation (G-3), as we often find, is more complex with nine siblings, cousins and in one case a half cousin. Several of the children work in the business and some do not, but they unanimously wish to honor their family's legacy and continue the business to next generation.

Three years ago the family began an intentional plan to transition the business. The senior generation, which is G-2, is thinking of "retiring" in ten years. In 2012, they had the company valued and gifted significant stock to the next generation, G-3. They accompanied the gifting with a celebration together and a discussion of the responsibilities of being an owner. However, since then some of the next generation has requested that a part of their stock be redeemed by the corporation, not what the senior generation wanted or had expected.

As the family began its planning for what they wanted to accomplish in 2013, it was decided to inquire as to how the next generation viewed the transition plan and the progress to date. A 12 question survey was created with the approval of the senior generation and circulated to each of the G-3's. Compiling the results and organizing it into categories of issues, opportunities and concerns resulted in significant lessons learned from the view of those who are tasked with continuing the company to the next generation.

Our survey showed that communication was clearly lacking on several key issues:

- How the company is performing (how their investment is performing)
- What the vision is for the future growth of the company
- What plans are in place for a transition of leadership
- How the next generation will be mentored and trained to assume the responsibility and leadership of the company

Much of this was a surprise to the senior generation as they thought they were communicating well on these matters. However, upon reflection they realized that the communication was inconsistent and incomplete at best. They are now making a consistent effort to close the gap in these four areas, particularly with G-3's who are not employees of the company.

In addition, they learned that while they felt there was a sound plan for mentoring the G-3's into their new role as company leaders, there were significant gaps in the perception of the G-3's. Plans are now in place to become "intentional" in the mentoring, and to look for opportunities to allow the G-3's to exhibit leadership in projects the company deems critical for their future growth and expansion. What they are finding is that the G-3's have creative and thoughtful ideas that prior were not being heard.

They are now considering opening the Board of Directors to include members of the G-3 as well as one outside board member. The Board having always been the siblings feels it a bit risky to add new Board members from the family as well as an outsider. However, they feel the rewards - feeling of being included in important company decisions and outside perspective brought by the outside director - will more than offset the risk.

There were also some sensitive issues that were addressed in the survey, such as a feeling of entitlement. However, the family handled it with a great deal of thought and maturity. They are developing a thoughtful plan to attempt to address the concerns expressed.

Lastly, some of the G-3 views of the future gave great encouragement to the process and to the future of the company. The feeling is that this has been a turning point in the history of the transition and to a greater degree the family itself.

In summary, we find that engaging younger generations is important to securing the future of a family business. Often, older generations feel responsible for solving the problems and handing the younger generations a nice, neat package. But leaving out the younger generation in these deliberations has risks associated with it. The younger family members may feel left out and unimportant and put their energies in other career pursuits. Support for the elder vision may be missing and thus implementation may fail. Finally, opportunities for all genera-

tions to learn from each other to the benefit of the family and business are lost. We learned that a survey of younger generation members is a great tool to identify issues that include younger members in the process.

A study of over 3,250 affluent families over a 20 year period showed a significant lack of communication resulting in a lack of trust among family members. This resulted in a 70% failure rate in passing family businesses and other wealth inter-generationally.