

NASPD 2005 Fall Conference

The Road Not Taken: Transfer or Sell?

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Successful Succession Planning

Assets Transferred:

- Efficiently and fairly
- Balances economic needs of business, succeeding generations, and present owners
- Next generation – stronger and wiser

Family-Owned Business:

- 80 % of North American businesses
- 50 % of the gross national product

What Do Families In Business Want?

- 1. Pass down vision and values,
not just assets**
- 2. Maintain family unity**
- 3. Grow family wealth**

Succession Rates:

- **30% of families reach the 2nd generation**
- **Only 12% reach the 3rd generation**

Change Is Inevitable

- **Families have life stages**
- **Individuals have life stages**
- **Businesses have development stages**

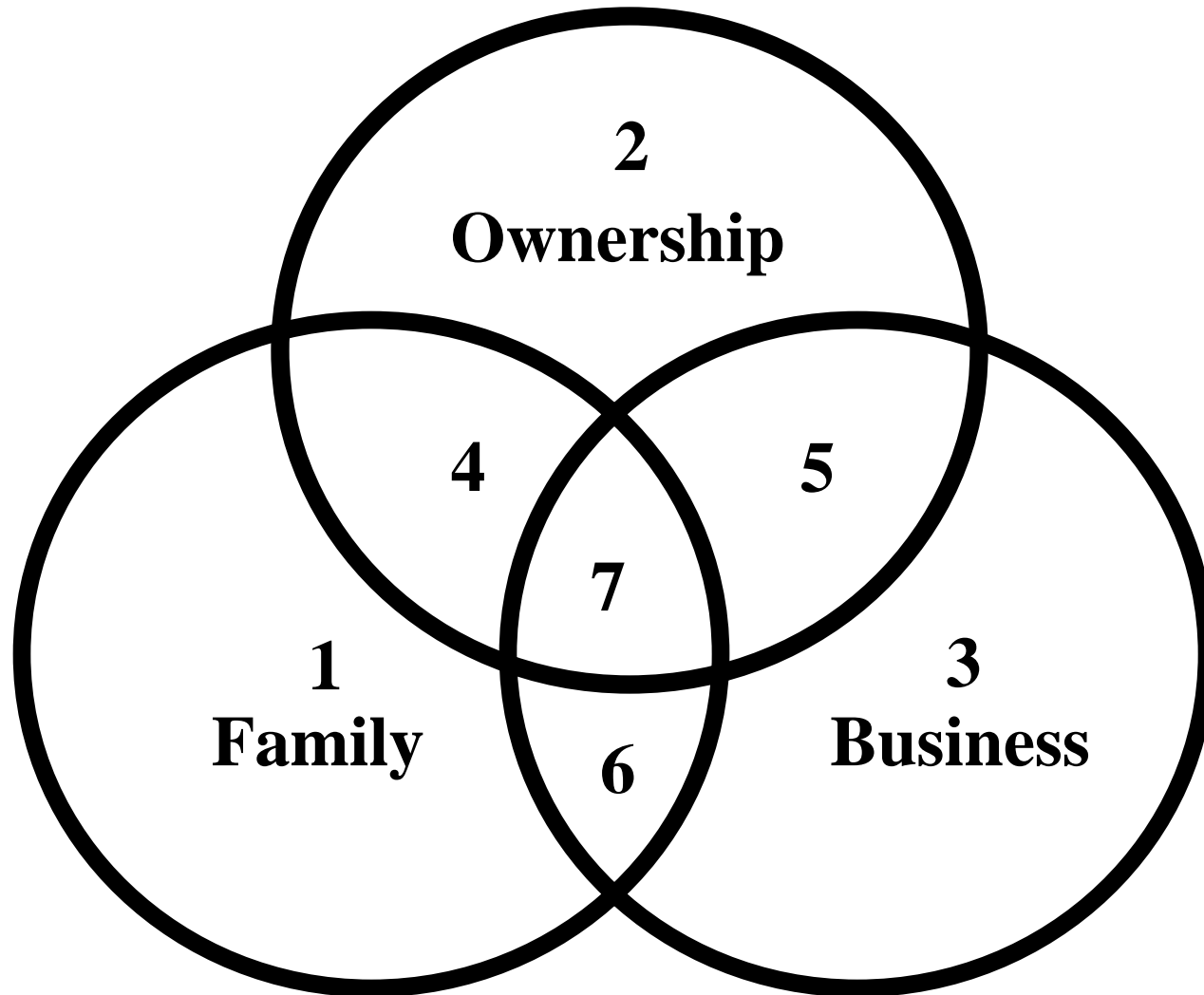
Rule Number One

Nothing

is

ever

constant.



The Three-Circle Model of Family Business

Generation to Generation: Gersick, Davis, Hampton, and Lansberg

Structures That Support Growing Families In Business:

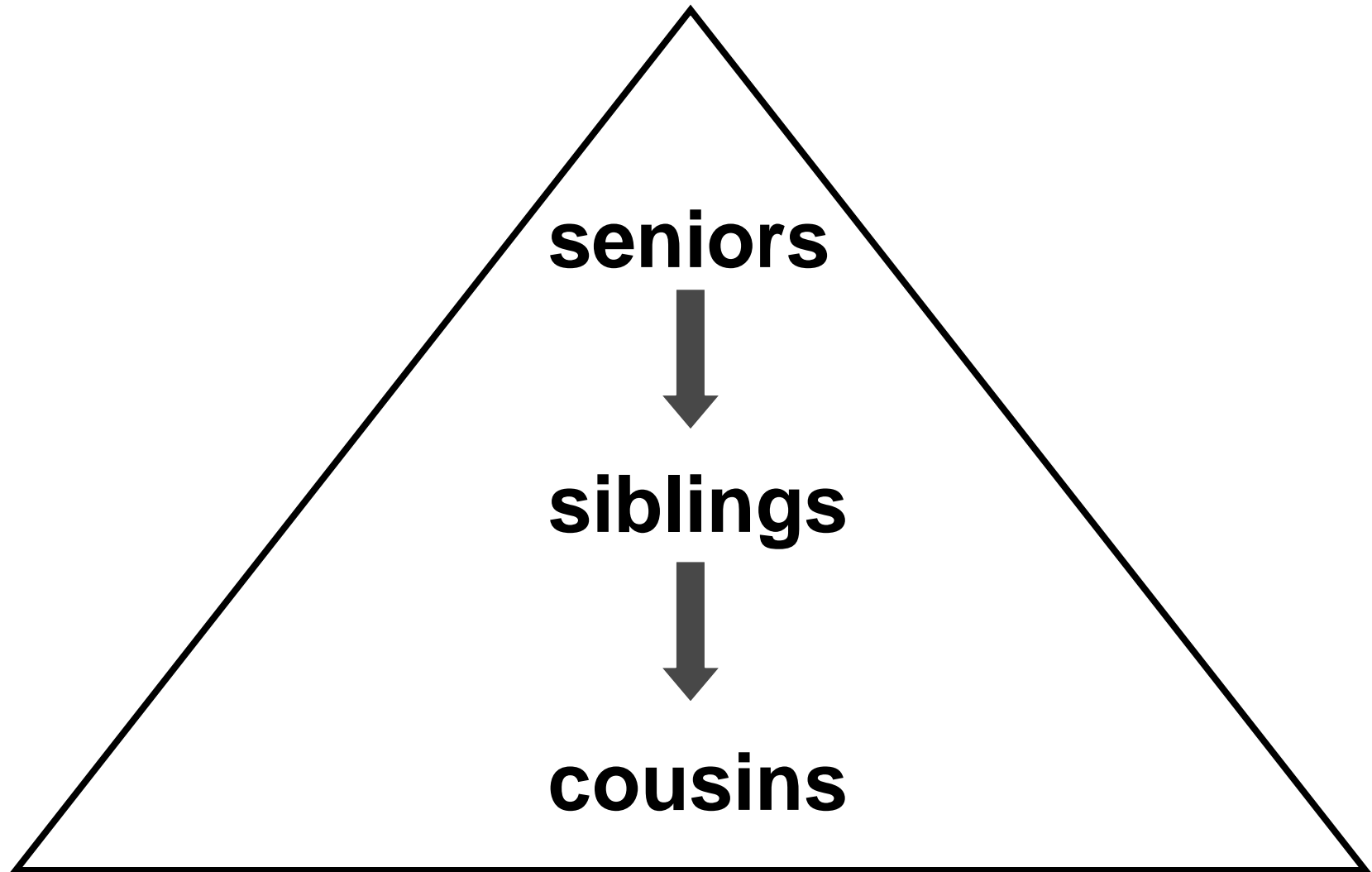
Family Meetings:

- Refresh vision and dreams
- Develop mission statement
- Advisory council
- Outside Board of Directors
- Shareholder Agreements

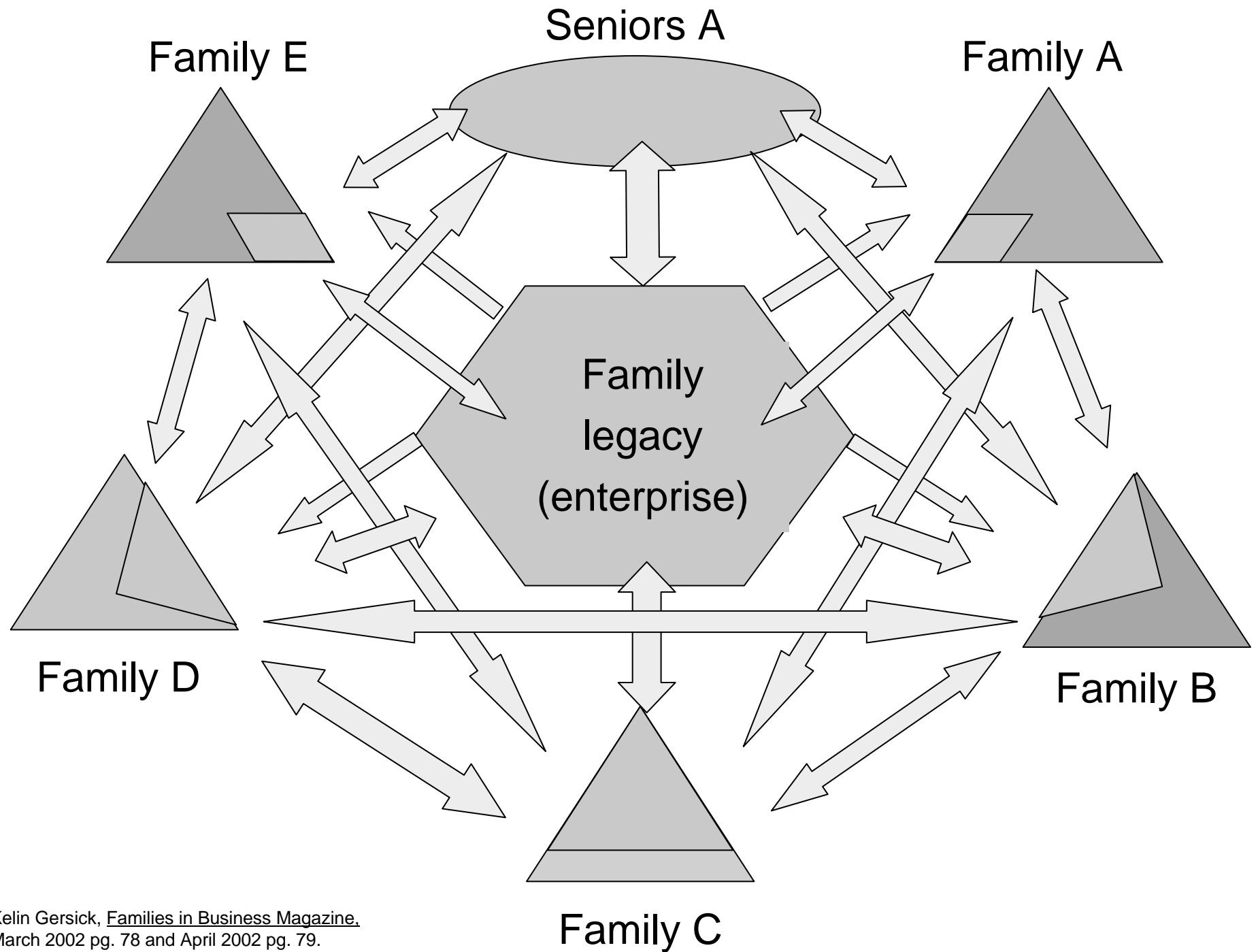
Structures That Support Growing Families In Business:

Complex Management
Structures

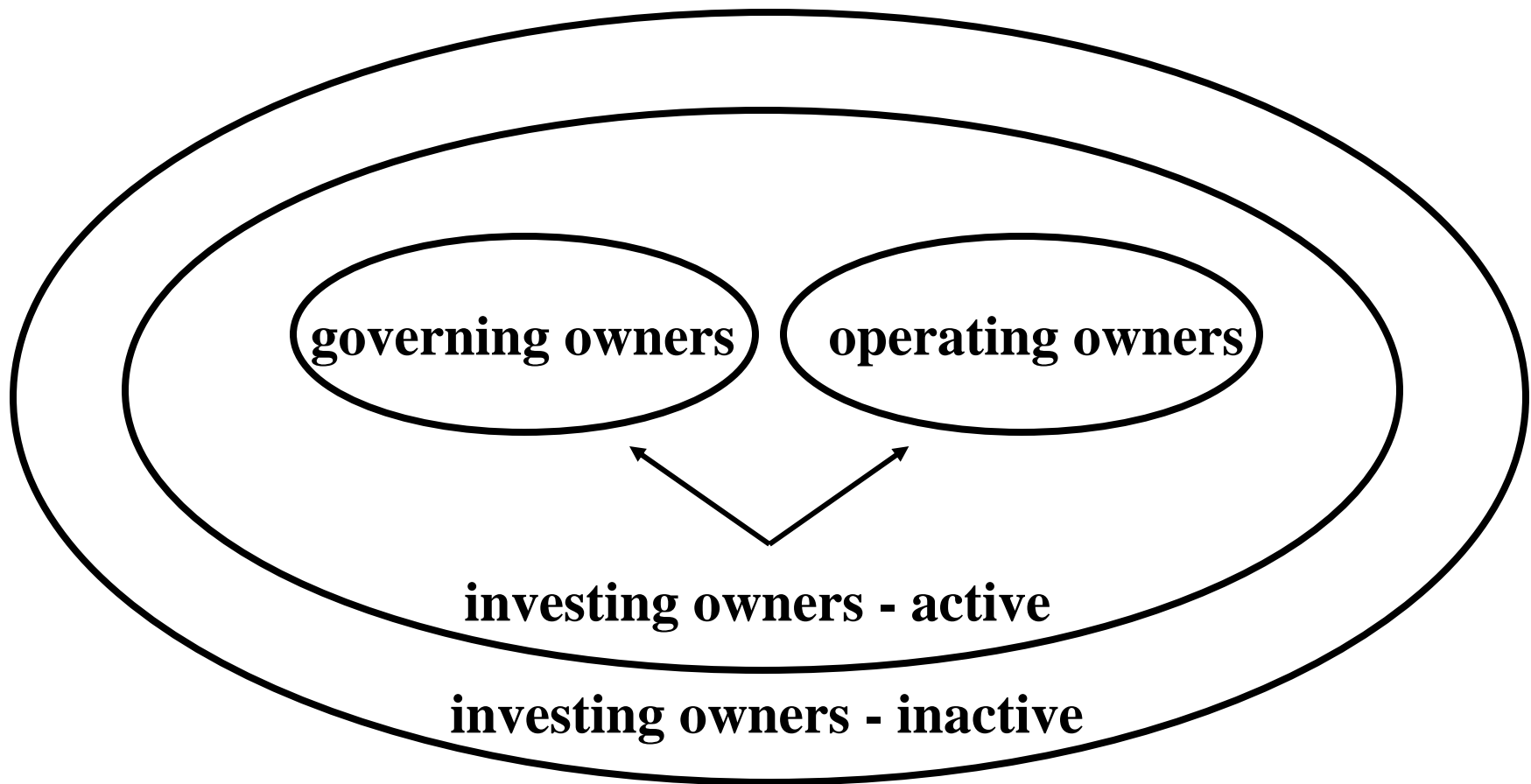
The Multi-Generational Stage



The Network of Families Stage



Mapping Categories of Shareholders



Tips for Successful Surviving Succession Planning

1. **DECIDE** – Continue family ownership
2. **ASSESS** – Family's stress handling ability
3. **AGREE** – Owner/Managers to manage transitions

4. **FINAL DECISIONS** – Belongs to present ownership structure
5. **VISION** – Key family members endorse for the future of the business
6. **CHOOSE AND TRAIN** – Successors for future top management team
7. **BUILD AUTHORITY** – For the successor inside family and business

- 8. ESTATE PLAN** – Specifies ownership and distribution
- 9. UNDERSTAND** – Rights and responsibilities with various roles
- 10. INFORM STAKEHOLDERS** –
About continuity plan
- 11. DEVELOP** - Contingency succession plan

(Adapted from Ivan Lansberg)

Successful Families In Business

- Promote unity
- Value individualism
- Grow family wealth