

Transitioning the Family Business

SKM Associates LLC

Family Business Consulting

*Developing High Performance
Leaders and Organizations*

Family businesses have many competitive advantages: strength of relationships, cultural fit of family members, shared faith and values, long term commitment of those involved, strong work ethic of family members, patient capital, shared visions, and flexibility in hard times. Those strengths, however, can lead to unique challenges in transitioning the business.

There are some common themes in family business transitions that go awry: a senior generation that can't let go (either business is going well and it is too much fun to let go or the business is struggling and the senior generation feels like they have to get it back on track); lack of confidence in the rising generation; indecision in selecting the next leader; avoiding difficult or awkward conversations; emotional identity in the business; and a rising generation that can't work together.

For a successful transition, one of the critical pieces is giving voice to the concerns of those involved. There are many options in transitioning a business, ranging from a sale of the business to non-family, to gifting some or all of the business to family. To successfully navigate the transition, family leaders must work hard to preserve family relations, family culture, and viewing this as a journey and not a single event.

The decision process for the transition, requires consideration of several key areas:

1. **Interest of the next generation:** What is the true desire of the next generation? Do they want to lead the family business?
2. **Skill set of the next generation:** If the next generation has an interest and desire to keep the business in the family, what do they need to learn? How will they develop as leaders, and who will hold them accountable?
3. **Future Vision:** What systems, processes, or procedures will be put in place to maintain the long-term success of the business and family? What communication guidelines will be agreed to by all family members to ensure all understand the objectives?
4. **Ownership Structure:** What is the best structure for the estate planning of the senior generation? How will the next generation navigate the ownership responsibilities?

After building the business, transitioning the family business is the next most significant work. The complexities of decision making to sell, to hold, to transition could be fraught with strife. If done well, through proper planning and open honest communication, the transition has the potential to unite the family and create a collaborative relationship between the generations.

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