



# A New Year's Plan for Family Business Owners in 2021

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This time of year, we start thinking about New Year's resolutions, but what we really need is a New Year's plan.

A New Year's resolution is an ephemeral aspiration, usually conceived and expressed in a euphoric state, with no structure for execution or enforcement. You declare a New Year's resolution to the world, and, before the echoes of that declaration have subsided in the surrounding hillsides, you have failed miserably to honor it. Then, like the coach of a team that starts the season on a losing streak, you tell yourself that this will be a developmental year, and that your pledge to win a championship will be pursued with better results next season.

Having failed the execution of your resolution and deferred it for another year, you are then free for the next eleven and a half months to continue not to work out every day, not to be more mindful of your blessings, and not to be a better person.

In contrast, a New Year's "plan" is much more likely to succeed. A plan has an objective, but a plan also articulates the means of accomplishing that objective. A plan includes tasks and action items and therefore provides both guidance and accountability. A plan anticipates obstacles and provides the means to overcome those obstacles. The best plans include a timetable to keep progress on schedule.

What should be in your family business plan for 2021?

When I refer to a plan for your family business in the new year, I don't mean a business plan. Yes, I believe that every business should have business plans and budgets and should use these tools to pursue its market objectives and analyze its results. In this blog post, however, I am referring to a plan for the family business to advance its objectives for family engagement, ownership, and succession.

Each year, here on earth, time marches on. Senior generation family business owners and managers move closer to retirement, next generation family members advance further on their career paths within or outside the family business, family members graduate from college, get married, and have children. Think of this: The chief executive officer who will lead your business in 2071, might be born in 2021. Your family business has to make progress toward succession every year.

In a year like 2021, however, with unprecedented challenges, changes, and opportunities, you likely will have to prioritize your succession planning in favor of addressing the most immediate concerns, disruptive contingencies, and fundamental issues.

Here are some suggestions for succession planning tasks you can accomplish in 2021:

- Board composition.

I believe that board composition is a central element of success and succession planning in family businesses. If you are the founder or sole owner of the family business, you might prefer to govern alone, but you

should consider the benefits of a governing board for your successors if you intend to pass ownership to more than one member of the next generation. You might also consider creating an advisory board as a precursor to a governing board.

If you do not have an advisory board or a governing board, your tasks for 2021 might be to learn more about the function of advisory boards and governing boards in family businesses and then create a board or draft a plan for how a board will be composed when it is needed.

Further, if next generation family members are adults, you should find a way for them to get board experience, such as by serving on boards of non-profits, attending your business's board meetings as observers, or joining your business's board as junior directors.

If you do not already serve on the board of someone else's business, you should look for that opportunity to help you develop your ideas about how a board can function best. You should bite the bullet and read "Robert's Rules of Order"—it is not a fun read, but it really provides superior procedures for managing a formal board meeting. Also, you and your other directors and owners should read the "Corporate Director's Guidebook," published by the American Bar Association, to learn about the duties and responsibilities of governing board members.

- Shareholder voting rights.

Shareholder voting rights are limited, but they are important. In particular, shareholders usually have power to appoint and remove

directors. You should create a plan for how voting rights will be allocated among next generation owners.

If your business currently has only one class of ownership, your tasks for 2021 should include splitting your business's stock into voting and non-voting shares, such as one voting share and 99 non-voting shares for each share of stock outstanding. This is a simple task, but it will make succession planning much easier because it will allow you to allocate shareholder voting rights and shareholder equity separately.

Then, update your estate plan to specifically provide for how the voting shares should pass if you die before you have been able to transfer voting control to the next generation. If your children are minors or young adults, you might want your estate plan to provide for a trustee to hold the voting shares until the children are ready to assume the responsibility of voting the shares.

- Leadership contingency planning.

Although you may not be able to complete a business succession plan in 2021, you should prepare a plan for continuation of the business upon the disability or death of the family member who is serving as chief executive officer or president. The loss of the business's leader can be disruptive to operations, especially in times of rapid change, like the present.

In a blog post dated April 26, 2020, I wrote about the importance of a business continuation plan for the loss of the business leader and

provided guidance about the form and content of such a plan. That is a task that you could and should complete in 2021.

How can this blog help in 2021?

I will continue to post new material about family businesses by Monday (both the author and the day) each week. Each post will be about a topic that is timely or fundamental. If I can amuse without disrespecting the existential challenges that we are all facing in 2021, I will try to do that too.

I wish all of you a happy and healthy 2021. On New Year's Eve, party like it's 1999, but only with your pod.

Gregory Monday

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Photo Credit: "Too Much Dogg Nog" -- G. Monday

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WRITTEN BY

**Gregory Monday**