### Notes:

**Transition points of business:**

**Successful Succession:**
- the business continues in Iowa
- the business thrives years after the succession
- should be a relatively painless process, but still requires a lot of hard work

**Statistics:**
- 39% of family businesses will change leadership within the next five years
- 90% of businesses have no succession plan
- 55% of owners die without a valid will
- 28% of Iowa owners > 55

Female leaders – 5x increase since 1997 almost 1/3 say next leader may be a woman

Most risk - $ trouble from lack of formal succession planning & personal $ issues

Only 54% - clear understanding of potential impact of estate taxes

**“Landscape”**
- Many small businesses – family owned (depending of definition – 50-80%)
- Transferring takes hard work: 30 to 35% - 2nd generation; 10-15% - 3rd generation
- Youth moving out of state
- Competitive, global environment
- Human nature – put off planning

There is no success in life that makes up for failure in the family

Facts are important but feelings control the process and outcome (it’s not just about selecting the right tool from the toolbox)

Don’t wait until a “Dreaded D” to take action:
- Death – relative, close friend, in media
- Disability or poor health
- Daughter-in-law (son-in-law)
- Divorce – owners or successors
- Disruption – changes in industry or family
- Discord – between or within generations

### Keywords:
- Succession, Valuation, Stakeholders, Leadership, Management

### 8 key success areas:

1. **Personal $**
   - People don’t move until they feel secure

2. **Business structure**
   - Buy-sell agreements
   - Advisory board
   - Strong management team

3. **Business performance**
   - Viable business = successful transfer
   - Accountability and dashboards

4. **Strategic and operational plans**
   - “cringe-free” planning
   - Who does what by when
5. Leadership and management preparation
   - Non-family leaders – identified, prepared
   - Identifying gaps
   - Testing
   - Family employment policies

6. Family/staff dynamics
   - Expectations
   - Styles
   - Communication

7. Family governance
   - Owning=management
   - Policy governance

8. Owner motivation & legacy goals
   - All starts here – what do you want to do?
   - Designing a plan to make it happen

Ideal process:

A team effort inside and outside the family. All affected family members, staff, and advisors play a role.

Process- “do it yourself”
1. All parties achieve individual clarity – “ideal future”
2. G1 clear on which g2 should play which role (G3?)
3. Couples dialogue – G1 and G2 separately
4. Meeting- both generations present – “how do we move forward”?
5. Gather all pertinent $ and legal information and meet with advisors (individually?)
6. Build a simple written framework for a family strategy and timeline for moving forward
7. Review progress regularly – one person responsible for process

Process
In-depth interviews –all key stakeholders
   - G1, G2, G3
   - Spouses
   - Key employees
   - Other potential successors not in business

Administer assessment tool
   - Decision making and communication styles

Prepare a report
   - Summary of interviews
   - Key issues (including family not in business)
   - Proposed solutions

Common questions/issues
--why are you selling/motivation?
--ideal time to sell
--deciding what is critical and what is not

Up until last minute, wait for disclosure

Business valuation
--hire a professional

Get problems figured out up front
Sale to key employees doesn’t work
Lack of owner clarity
Problems discovered in due diligence
Buyer not $ qualified
Inflexibility
Unrealistic expectations

Do not do business valuations yourself!