

Step 1 of 8 Forming The Foundation of A Successful Transition

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Without a thoughtful foundation to begin your succession planning process, you could end up in this unfortunate, but common situation:

Son: Hey dad, when are you going to retire and let me run the place?

Father: In a few years when I think you are ready.

Son: How will I know when I am ready?

Father: I'll let you know.

(Several months go by)

Son: I think I'm ready now, so how about I buy you out?

Father: Maybe... if you had enough money.

Son: How much do you want?

Father: Well, I have my heart and soul in this thing so I figure it's worth at least \$25 million.

Son: Where did you get that number?

Father: I saw what ABC Co. sold for, and we're surely worth more.

(More months go by)

Son: Dad, the bank says they will loan me \$10 million to buy you out, how about that?

Father: Where are you getting the other \$15 million?

Son: I can pay you over time.

Father: That sounds like a lot of risk for your Mom and me to take. I'm not sure I am ready to take that kind of risk, since you're not quite ready to take over yet.

Son: So when will I be ready?

Father: I'll let you know....

Feel the tension? You can cut it with a knife!

I'd like to say this conversation is fictional but, unfortunately, it happens all

too often. Conversations like this usually end in a flurry of frustration that not only can impact the entire family, but also bleed negativity to the company's employees, who always sense any underlying angst at the top. Per my last article in this series that outlined The 8 Steps to a Seamless Transition of Value and Control of Your Family Business, the first step in the pro-

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cess is both the most crucial and the most commonly overlooked.

There are basically three elements to forming a strong foundation for a Seamless Succession Plan;

1. Set a specific timeline for completion
– starting a journey without an end in

- sight can tear apart a family and damage the underlying business significantly.
2. Identify the capabilities and professional development plans for the next generation – these plans must include specific milestones that help define what “being ready” really means to avoid the ambiguity that causes conflict.
 3. Enter the process together as a team - Avoid hiring advisors for “each side” and getting started off on adversarial footing. Find an experienced firm in Succession Planning to lead the family through the 8 steps to a Seamless Transition of Value and Control. This will preserve both the “family” and the value of the Family Business.

Following The 8 Steps to a Seamless Transition of Value and Control will serve you well if completed in order, while taking a shortcut can land you in a dead end...or worse. Other articles in this series summarizing all 8 Steps can be found at www.cincygrowth.com.