



Part of the Washington SBDC Podcast Series

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Succession in a Family Run Business:

More than 90% of U.S. businesses are owned and managed by families, but over ½ will never make it to the second generation.

Common Conflicts:

- ❖ *Sudden death or disability of the owner*
- ❖ *Unresolved family Conflicts*
- ❖ *Retirement of a partner*

Letting go of one's business is tough, the founding entrepreneur is accustomed to being in control and usually worries that the next generation will not take proper care of the his/her baby, the business. But remember that succession planning is an area of concern in any operation.

Steps to take to transition properly to minimize impact:

- 1) **Opening the discussion** for the owner to consider when he or she will be ready to step down. This may not be simple do to the following issues:
 - a. If the owner does not feel that the successor(s) will properly run the business.
 - b. A natural fear that the successor may run it better.
 - c. Wealth transfer.
 - d. Family harmony.
 - e. Sometimes owners do not want to face the issue of them getting older.

Tips to make everything run more smoothly:

- ✓ Remember that this is not an event but a process, so bring other family members into the discussion
- ✓ Make decisions together

- ✓ Use family succession forums to assist in the transfer. They are used to establish boundaries and help manage expectations for families. Typically the current owner is not present at these meetings to allow the new generation the opportunity to work together before the pressure of running the new business becomes a reality.

Discussions might include:

- How a successor will be chosen for the leadership role
 - How children will become involved in the business
 - How inactive family members will be included
- ✓ May report back to family counsel with your findings
 - ✓ Ownership transition planning should be discussed in advance

Summary: Family succession is a process and needs help. This is part of the natural life cycle of the company and should take place before the death or disability of the owner.

Excellent guide is: [Succeeding Generations: Realizing the Dream of Families in Business](#) by Ivan Lansberg

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