

TAKE AWAYS FROM THE FAMILY BUSINESS ALLIANCE'S 2018 FAMILY FORUM

- Suggestions for family business succession:
 1. The most critical factors are:
 - a. Having a strong board of directions.
 - b. Have robust strategic planning. Senior management needs to come up with the plan. The board needs to approve it.
 - c. Having a structure for family meetings to create family unity.
 2. Succession should be happening at multiple levels:
 - a. Transfer of ownership.
 - b. Transition of management.
 - c. Development of the family.
 3. Unresolved conflict is the main reason family businesses fall.
 4. For family business to continue, they need to enjoy being together.
 5. The process may start be a G2 family member meeting with a key employee.
 6. If you can pull off equal ownership in the business, that is ideal. Everyone will then be vested in the business and family meetings are much more effective.
 7. Start with something (i.e. what is most interesting or motivating at the time) and Keep moving forward. Examples of motivation are family harmony and tax savings.
 8. If G1 doesn't want to do something (i.e. start a board of directors), consider moving ahead like you're going to implement.
 9. The optimal tenure for a CEO in a family business (even if it is the founder and G1) is 14-16 years. The successor CEO is ideally 35. They have the most energy at that time in their life. Also, while that family member may not have a lot of experience, hustling can make up it.
 10. Communicating and getting buy in from the family is critical.
 11. Develop the mission, vision, and values for business and family.
- Suggestions for board of directions:
 1. Every organization should have an independent board. Size doesn't matter.
 2. The board of directors should focus on keeping the company accountable for what it decides to do. Consider making succession part of the board's responsibility.
 3. It's important to have a board that has separation from management.
 4. The size of the board is dependent on how many people the CEO believes is best for the company.

5. There should be two external to every internal board member. 7-11 overall is ideal.
 6. External board members have to be able to tell the truth and not be emotional.
 7. Board diversity is important (...different industries background). Not a good thing if the company is struggling.
 8. The board should meet 3-6 times a year.
 9. Pay board members by taking the CEOs pay, dividing it by 365, and paying for a day of meeting and preparation.
- Suggestions for family councils and meetings:
 1. Think about the family council as an organization (i.e. having bylaws, structure, etc.).
 2. Consider including spouses.
 3. They could be subsets or committees of the family council to work through certain issues.
 4. Everyone has to be acknowledged. Watch out for developing a victim. Once spouse may then supports the victim and that only encourages this behavior.
 5. Educate the family on a variety of topics.
 6. Develop a vision of family history, its values, and mission.
 7. Develop a family employment policy.
 8. Give them tours.
 9. Start out meetings with sharing updates about family.
 10. Cover the financials.
 11. Have one large family meeting a year and quarterly meetings that are more substantive. 4-6 times a year are ideal.
 12. The meetings have to be attractive.
 13. The chair must have a high level of trust and be able to control the flow of information. Call out people who are repeating themselves.
 - Suggestions for raising childing in a family business:
 1. Stewardship is critical and instill at any early age.
 2. We learn most effectively from mistakes. We have to give children the freedom to make decisions and mistakes.
 3. Children are adults when you don't step into stop them from making decisions.
 4. Remember it's necessary to change your behavior to get different results.
 - Suggestions for meetings:
 1. Everybody needs to have a chance to speak.
 2. The length of the meeting is determined by the following equation: number of people who are attending * the number of items to talk about * the time allocated for each item.
 3. Meetings are when people exchange ideas. Call it a briefing.
 4. Educate people before the meeting.
 5. The more people enjoy the experience the longer the meeting can be.

- Suggestions for planning, goals, and decision making:
 1. Planning is more important than the plan. Planning is a continuous discussion of the business.
 2. Prioritizing goal is critical.
 3. Have a clear measure of success.
 4. If the decision is very urgent, but the cost of recovery from a mistake is low, make the decision and communicate to them later.
 5. If the decision is not urgent and the cost of recovery is high, take the time to get buy-in.

- Suggestions for finances of a family business:
 1. Ownership unity is critical to business returns.
 2. Population growth is critical to growth in a saturated business.
 3. In a mature market, GDP grow would be the expected growth the company.
 4. $\text{Growth capacity} = \text{ROE} * (1 - \text{dividend payout})$.
 5. Constraint on growth is ROE.

- Miscellaneous suggestions and lessons:
 1. The role of an owner is deciding who is on the board.
 2. Terminate a CEO quickly if it's not working out.
 3. To fire a family employee, tell them they are unhappy (...not showing up, not performing, etc.) and let them go.
 4. Family businesses have more fraud than other companies because there is oftentimes a sense of entitlement.
 5. People's perception of time is based on their enjoyment of the experience.