

## **Your Family is the Power of Your Succession Plan!**

**By Gerry Murak**

A functional succession plan in a family business is much like an extension cord. It transfers power from the source to the next generation. Estate and tax plans are the plugs at either end of the cord. With the careful assistance of a neutral facilitator these plugs can be wired successfully and safely to prevent any “shocks” on the day that the cord needs to be used to transfer the power.

When we attempt to use an extension cord, the key issue is unraveling it...since it usually is twisted in knots or in a tangled mess. Upon closer examination, we realize that between the plugs, the extension cord is made up of fine strands of intertwined wire that provide continuity. When the cord is left tangled, it weakens the fine strands and eventually causes an open circuit.

The “cord” needs to be untangled to insure its continuous use for the generations to come. No matter where a family business stands in its succession plan, whether it’s only a thought, ideas scratched down on paper, or formal documents previously drawn up, this “cord” too needs to be untangled.

The first step in unraveling the cord is to form a Family Council. All family members, whether involved in the business or not, need to meet on a regular basis to begin the process of getting the knots out. In the early stages this is a very delicate process, requiring an experienced facilitator who ensures that no one dominates the meeting or is left unheard. This neutral facilitator sees that the lines of communication are opened to provide a better understanding of who each family member is as an individual. This step is often omitted, and then requires backtracking to resolve deep-rooted issues.

For example, what happens to the validity of any succession plan if a son or daughter doesn’t want to work in the family business any more, even though they have been in it for twenty years or more? What if a family member currently in the business does not have the skills or ability to manage it in the future? What about the strength of the bloodline as a de-motivating factor for non-family members who are key employees and contributors to the businesses success? Finally, what if family members simply can’t get together because of past hurt feelings?

Any of these elements can be a knot in the extension cord that could be fatal to the continuation of the business in future generations. The best laid plans and documents are only paper until these feelings can emerge, and be openly discussed and resolved. This phase of the Family Council process is an emotional and up-lifting experience that will yield dividends well into the future. It also provides the foundation for the next stage, developing the Family Creed.

The Family Creed provides the framework for outlining the basic values and beliefs of the family as they relate to the business. This document can then be forwarded to their attorney and accountant to assure compliance with the law while minimizing tax consequences. The Family Creed also establishes the corporate culture as to “how things get done” with employees as well as customers.

The Family Council and Creed are not in themselves the answer. Any family business can attempt to duplicate the steps taken by another family business. Each family business needs to discover and untangle its own cord and knots. In this way, the family will experience the rewards of successfully completing a process unique to their circumstances.

Once a family business has successfully set a pattern for Family Council meetings and documented its Family Creed, it then is empowered to continue on its own requiring only “preventive maintenance” of an outside facilitator when needed.

The transfer of power through the extension cord now has a far greater chance of success in providing energy to future generations. Recently, the president of a third generation family business shared this thought about their Family Council and Creed, “This process is the best thing that has happened to our family and our business!”

Gerry Murak, MBA, PHR, of Murak & Associates, LLC is a consultant, executive coach, speaker, and author of the leadership and life lessons book “Our Fathers Who Art in Heaven and What They Continue to Teach Us”

Copyright© 2005

Cannot be reprinted without permission

Murak & Associates, LLC 300 International Drive Williamsville, NY 14221  
(716) 631-0253 Fax (716) 631-0257 results@murak.com  
www.murak.com