



COVENANT'S

Expert Tips For Successful
Business Transition

Family. Wealth. Harmony.



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FAMILY WEALTH ADVISORS



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Covenant understands the intricacies that accompany any family business, and we know that a strong plan is necessary to guide a path through those complexities for both the business and the family to flourish. As specialists in Family Business Succession, we have put together 7 tips to help you navigate through the voyage of succession while maintaining your peace of mind and harmony in the family.

Great peace of mind comes from knowing you are doing what you can to live on purpose today, with intent and generosity, while establishing a strong and lasting legacy that will stand the test of time.

1 BRING THE FAMILY TOGETHER AND COMMUNICATE

Strong communication does not take place by accident; planning, idea sharing and discussions must be scheduled and practiced. It is important to realize that the added dynamic of family relationships requires that everyone is on the same page with regards to the goals and purpose of the business, as well as the true purpose and intentions of each individual. During meetings, it is imperative that open and honest dialogue is encouraged in order to spot any potential challenges on the horizon.

2 DELVING INTO THE NEXT GENERATION

It is important to look at the strengths, talents and personality traits of each member in the family, especially those of next generation who will be taking important roles in the business. Understanding who they are, what is important to them, and the path in which they will most likely succeed are all necessary to help the transition go smoothly, and ultimately, offer the most fulfilling opportunities for the next generation. Creating plans they can be excited about and see themselves prospering in will lead to the highest levels of engagement.

3 CONFLICT RESOLUTION

Sibling rivalries as well as intergenerational conflicts are commonplace in a family business and should be addressed with care. Avoidance of such issues can snowball into severe challenges that become unmanageable. As a crucial preventative measure, all involved members of the family should be in agreement about the goals and purpose of the business through regular communication and meetings. Any questions and concerns should be openly discussed and addressed. Having a facilitator and accepted Rules of Engagement for how individuals participate in the process are extremely helpful to keep the focus on the issues at hand, and to work through conflict positively.





4 MANAGEMENT VS. OWNERSHIP SUCCESSION

Ownership and management succession are two distinctly different things that should be addressed separately. For the health of the business, it is often beneficial for the original owners to implement management succession before ownership succession. This order allows the original owners to evaluate the new management over some period of time to ensure that all facets of the business are being managed successfully. Ownership succession can then be reviewed and carried out. During this process it is important to also take into consideration non-family managers and how succession will impact their roles. Non-family managers are often concerned about being replaced during such a time, yet seldom vocalize their concerns. As such, these concerns should be addressed preemptively.

5 EMBRACING TRADITIONAL AND NEW VISIONS

A common source of frustration during the succession of a family business can be the differing opinions and visions from the new generation and the old. Often times, the new generation is looking to get involved with state of the art business practices and technology implementation while the older generation wants to ensure that proven traditional strategies are not simply discarded. Neither party is completely right or wrong in such a debate. The importance of frequent family meetings are necessary to ensure that the required changes and compromises are made all in the best interest of the business. The purpose and goals of the business itself should also be discussed to have everyone on the same page throughout the succession process.

6 TRANSITION TIMELINE AND STRUCTURE

Determining not only a timeline but structure for the transition of ownership are both important steps of the succession process. During this step, decisions should be made about whether ownership will transfer gradually over time or in a one time exchange of ownership. It is also important to consider how the transfer of ownership will be funded. A lump sum payment, future profits over time or other payment method should be arranged and formalized in writing. The unfortunate event of unplanned transitions due to death or other major events should also be considered in the planning process.

7 NOT LOSING PERSPECTIVE

When planning succession, there are many technical considerations such as taxes, insurance, wills, etc. that begin to overshadow the equally and often even more important non-technical considerations - this includes family dynamics, goals, personal aspirations of different family members, and the like. For this reason it is very important to know your values and align your process to those values for the sake of family harmony and happiness. Keeping your perspective and looking at the big picture will be invaluable in the end. Business and wealth are rarely the end goal. Instead, they are means to achieve other more important goals. These goals must not be forgotten in the process.