

Preserving Your Family Business

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Preserve the perspective and history of your family business to help the next generation carry your success into the future.

When the time comes to transfer a family business to the next generation, most companies focus on the material aspects of the event. They worry about transfer taxes and whether or not they have the financial resources to survive. But besides the tangible resources of the business, what about all the experience the founding generation takes with them? How do you preserve that?

Experiences accumulated through life create perspective. When someone starts the process of building a business, they experience the challenges firsthand. The ups and downs, the successes and failures, and the fear of scarcity build character in the first generation that helps them manage the reality of having significant wealth. Yet the wisdom, experience, values, attitudes, and preferences a family business is built on usually leave with the founding generations.

For example, if one generation learns how to fish because they're starving, they develop very fine fishing skills. But if they catch so many fish that the next generation doesn't have to catch any, then by the time the fish supply runs out and the third generation comes along, no one will know how to fish. The same trend occurs in family businesses. The first generation works hard and struggles to build the business, the next generation enjoys the wealth, and the third loses everything.

If you can preserve those rich experiences, succeeding generations will have a better understanding of the value system that emerged from them, and, therefore, a better potential to succeed with the resources that are passed on to them.

How can you preserve the experiences that built your family business? Use the following steps to pass the perspective and wisdom down through the generations.

Reflection - Most people live life, rather than observe it. Even those who have had rich, rewarding lives sometimes fail to recognize the wisdom in their experiences. They believe that they are no different from anyone else and that their past accomplishments don't matter. But the first step of passing perspective through a family business transfer is to overcome this modesty and reflect on all your experiences.

Where have you been? What mistakes did you make? What unique experiences have you had? Stop, sit down, look back on all your accomplishments, and understand how truly important they are to the future of your business.

Discernment - Once you've reflected on your experiences, you need to look at what your experiences mean. What did you learn from your successes? What did you learn from your mistakes? What wisdom, insight, and perspective have you gained? What have you learned about financial management, decision making, and forging business relationships? These learning experiences have formed the way you conduct your business, and they can help prevent future generations from making the same mistakes you made.

Documentation - Once you see what you have learned through your experiences, document everything. For some families, the documentation can be as simple as a letter to the kids or succeeding generation. Others use an audio tape or video that talks about their experiences and what's important to them. And some actually produce a documentary on the history of the business. Regardless of what documentation method you choose, make sure it speaks to the succeeding generation and includes everything you value.

Communication - The next step is to communicate all this information and history to the people who need to know it. Again, this can be as elaborate as you want. You can gather everyone around the dinner table, plan a special family meeting, or organize a retreat with the purpose of talking through these issues.

Consider a "vision trip" where you create an experience for everyone to do together that will help manifest the family business values. Whether you plan an outdoor adventure that facilitates teamwork or a series of challenges that stimulate learning, a vision trip can be an exciting way to bring everyone together and communicate your values and wisdom.

Evolution - Once you've successfully worked through this process, you must repeat it throughout the lifetime of your business. If the founding generation takes the time to understand and talk about where they have been, the current generation lives in those past experiences. Encourage and inspire future generations to participate in the process as well.

This process should become a living document that builds on each generation, because every family member has unique experiences that impact the business. Therefore, each generation should be encouraged to follow this process and contribute their wisdom to the story.

This continuation creates a framework in which the family considers the stewardship of this story just as crucial a component in their wealth transfer plans as they do the financial resources they have accumulated along the way.

Preserving the Past

The stereotypical three-generation lifespan of a family business is rooted in the loss of perspective that occurs in the transfer from one generation to the next. But your family business can overcome this challenge by preserving its history and creating a context that respects the past while providing liberty to the current generation.

This framework shouldn't bind the current generation to a set of rules, but rather empower them with the lessons learned by previous generations and show how those past experiences can benefit them. It should inspire future generations to participate and grow the family business, rather than just work there because that's where the money is.

When you use this process to preserve the perspective and history in your transfer plans, future generations will know where the family business came from and all the experiences that made it succeed, which will help them carry the success into the future.

ABOUT THE AUTHOR

Todd Fithian is the CEO of The Legacy Companies, a training and education company that works with professional advisors to properly use discovery everyday to create value. Value for your clients, Value for you, and Value for your business.

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