



# Protecting Your Legacy: Creating a Successful Family Business

**A**s a business owner, your mindset is one of protecting the business you have built. Yet, the one of the biggest concerns facing business owners is succession planning. Many business owners hope to pass their business to the next generation, especially if that generation has already been involved in the business. The idea of family members carrying on the legacy they have built is very compelling, which is why many companies operate as family-owned businesses. However, this structure is not without its challenges. From management of family dynamics and defining clarity of expectations to liquidity issues and estate and succession planning, the trials may seem myriad, but are manageable with the proper planning.

A business owner must consider whether continuing the business past their generation is a viable option. Many companies cease to exist shortly after the founder exits the business. While this could be attributed to a single-service professional or an obsolete product line, it can also be caused by failure to address current and future issues that will affect the business. One issue to consider is profitability. While the business could be successful and functional enough to support the first generation family, is it a business that will grow and be able to support two families or even three? Cash flow is imperative to consider for yourself and discuss with your family to determine whether the company will carry on.

Not surprisingly, succession planning must begin early. Statistics show that many businesses do not survive past the second generation. As a business owner, it is never too early to create your exit strategy and succession plan to ensure your company can survive without your involvement. By giving yourself time to observe your family members in various roles and talking to them about their skills and talents, you may have a clear picture for choosing the right successor. Often, a business owner in a family business has a keen entrepreneurial spirit. However, this does not mean future generations will, and somewhere along the way, the proper systems, processes and procedures must be in place so the company can be manageable minus its founder. This helps to ensure that future generations can replicate the mission of the company even if their personalities and decision making tactics differ from the founder. “The E-Myth Revisited” by Michael E. Gerber offers great insight into putting the right systems into place.

Aside from managing the future of the company, many business owners employ family members and must work through issues with family dynamics. While there may be times when family and personal issues can cloud judgments, having a plan in place to manage these issues before they arise can save many headaches for all parties involved. As the leader of a family and business, how do you manage the complex interplay of family dynamics in a way that makes your enterprise successful? The first step is providing clarity. When roles and expectations are not clearly defined, it can lead to resentment and arguments that affect the business. The boundaries from family relationship to business relationship can easily be crossed, so setting a communication plan to respect those boundaries can help in building a stress-free environment for all employees.

For some businesses, it may make sense to have a third party involved in the discussions and provide great, neutral information for all generations to consider. There are independent family counselors and family business consultants available to help. Often, their background is in the counseling field (psychologist or coach/counselor). There are also personal business coaches who specialize in working with family-owned businesses to help parties develop communication and bring out the best in one another. It may make sense if you’re in a family owned business to seek these consultants who are well versed in the relationships and emotions of having a family business.

Keeping your business functional in the moment and prepared for the future is a great way to protect your legacy. While relinquishing control may not be easy, putting the right pieces in place to help your business thrive under the leadership of the next generation is one of the most important legacies you can create for your family. Give yourself time to work through the details. You may try a few different plans and experience some bumps along the way, so don’t wait until you’re headed out the door to make the plan. Consider everything you work toward as protection for the business and family you love. ☺

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