

# BUSINESS SUCCESSION IN 10 (NOT·SO·EASY) STEPS

HAVEN'T TALKED ABOUT SUCCESSION AND ESTATE PLANNING IN YOUR FAMILY-OWNED BUSINESS YET? Marvin Blum, a Fort Worth attorney who specializes in succession and estate planning, has a 10-step process he uses to work with clients on succession.

1. Start the Process. Identify psychological barriers and work through denial and "planning paralysis."
2. Create an Action List. Tackle tasks by priority, start with the ones that are easiest to complete, and keep in mind that business succession is usually the last step.
3. Form a Planning Team. The team can include your lawyer, CPA, and a business consultant. It must include somebody who has a relationship with the business owner. And it must include a leader - Blum calls this person the "quarterback" - who keeps the process moving from meeting to meeting.
4. Manage Expectations. There's no perfect solution that gives every stakeholder what he or she wants, the process will likely change over time, and there will be multiple meetings.
5. Identify the Issues. Interview key stakeholders, including the founder, founder's spouse, children, in-laws, and key employees. No two solutions will be alike.
6. Define the Desired Outcome. Many effective succession plans contain some combination of these facets: business is managed by people with the right skills and it generates good cash flow, an exit strategy is in place for stakeholders who want to exit, the business represents a reasonable portion of each owner's net worth, and a sale may offer the best chance of success.
7. Search for a Solution. Three primary choices are transferring the business to a family member or members, selling it to people inside the business, and selling it to an outside party. Does the business have assets that can be divided and distributed to the owners? For example. Does it own real estate that can be put into a separate entity that generates cash flow for family members who aren't in the business? Look to publicly traded companies for ideas. Identify who will serve on your company's board of directors, identify who will choose the directors and consider classes of voting and nonvoting stock, and consider leaving the stock in a trust with a trustee who'll do what's best for the business.
8. Get Buy-In from Key Stakeholders. Get buy-in from all stakeholders, starting with the founder. Conduct a family meeting to educate and collect consensus. Consider hiring a facilitator for this meeting.
9. Address the Challenges. Confront the founder's fears of loss of control, and address conflicting goals among family members. Focus on "commonalities."
10. Implement the Solution. This could take several years. Start training your successor, or prepare the business for a sale.



Attorney Marvin Blum in his downtown Fort Worth law office.  
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