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# Succession Planning . . . The Family in the Family Business

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# Agenda

- ✓ Ollie's Story
- ✓ Where do you start?
- ✓ Considerations and Options

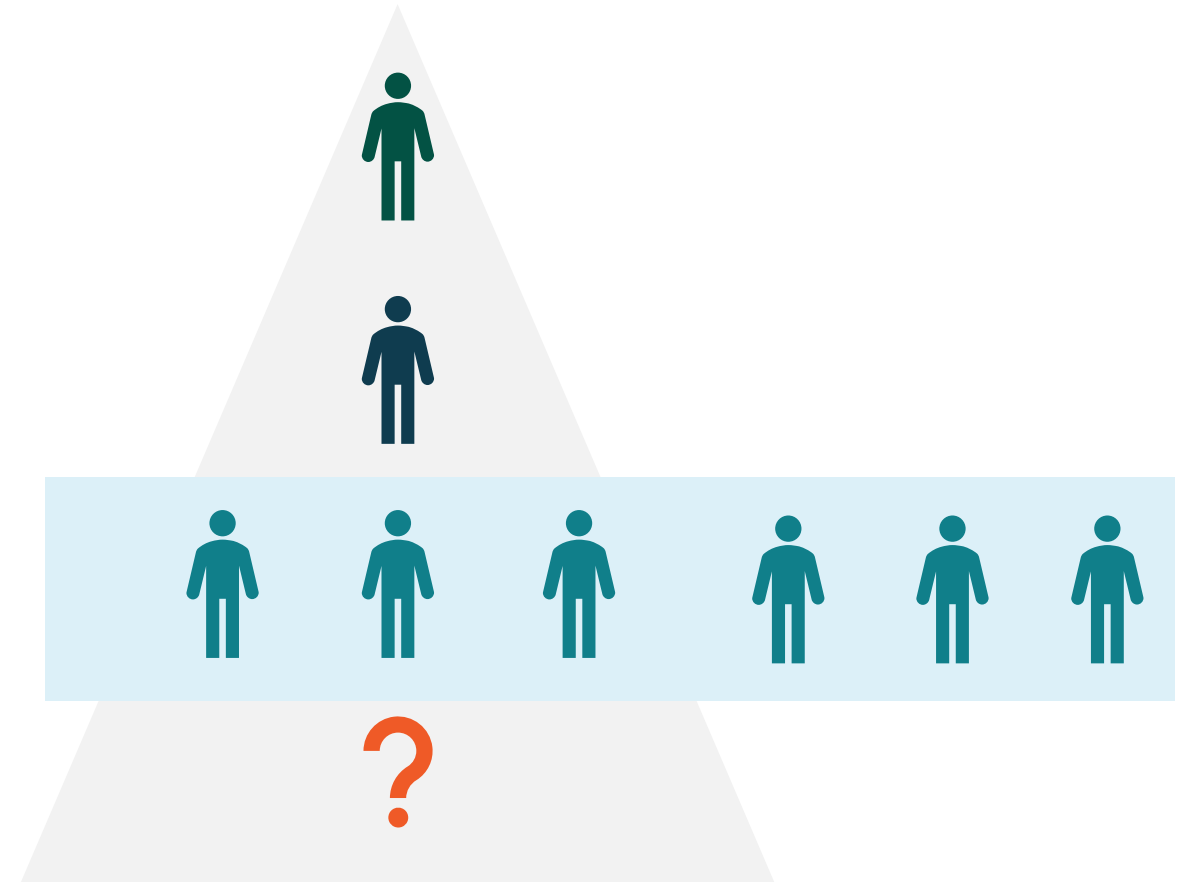
# The Playing Field is More Complex



# Ollie's Story

# Background

- Medium sized family-owned cabinet manufacturing business in central Canada
- 3<sup>rd</sup> generation business started by grandfather
- Business has passed from grandfather to eldest son and is currently owned by grandsons of the original founder
- Current shareholders/operators are in their early to mid-fifties
- The eldest son of one of the current operators/shareholders recently completed a business administration diploma and works in the finance area of the business, and now believes he should have the same authority as his father and grandfather and should become an owner
- There are three additional family shareholders who are not active in the business
- Health issues are on the horizon for one of the current owners, so time is of the essence



# Is the Traditional Approach Enough?

## Traditionally (in the box)...

- Through the generations, the company has relied on the below succession "formula"
- Oldest sons are groomed, and selected as future majority owners
- Estate Freeze is conducted
- Bring in family members for nominal costs
- Redemption plan follows
- But. . . Is that always the best way???

## But have they considered ....

### (Beyond the Box)?

- Are family members the best ones to lead the business?
  - Are there stronger or better candidates ?
- Does this approach make sense – financially- for current generations?
- Can the family continue to own a portion but have the business managed by employees and/or employee owners?
- Is preparing the business for sale and seeking the right buyer, a viable option
- Should they be acquiring other related businesses to ultimately sell or attract investors?
- Or?....

# Process

## Where are you now?



## What do you really want?

- What is the value of your business today?
  - How much do you require for your next life stage?
  - What do you currently own?
  - What are your long-term obligations?
  - Who are the other stakeholders that need to be considered and what do they want?
  - What is the situation of your family members?
  - What do your legal documents say?
  - How prepared is your business for any transition?
    - How dependant is your business on you?
    - How dependent are you on your business?
- What is most important to you?
    - Legacy?
    - Financial security?
    - Taking care of family and employees for the long-term?
    - Your family name on a business card?
  - What are your clear estate goals and obligations?

# What Are Your Options?

## Have you Considered?

1. Sell the business to a third party?
2. Sell PART of the business to a third party?
3. Transition to broader family?
4. Sell to employees?
5. Sell to family AND employees?
6. Retain ownership of the entire business and have the business fully operated by professionals
7. Retain partial ownership and have the business fully operated by leaders and managers with an ownership stake
8. Retain ownership and have the business operated by "interim CEO" while preparing successors

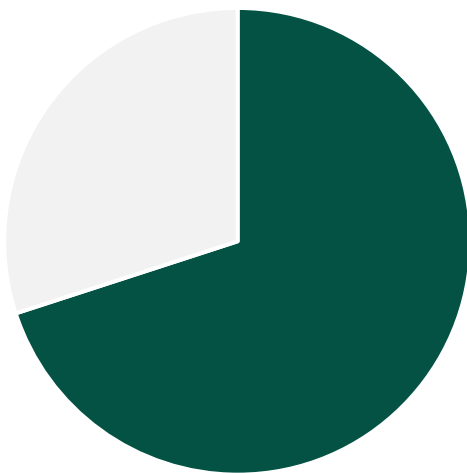




What will open up your options?  
....it's all about *Early* INTENTIONALITY

# Lack of Intentionality Causes Major Issues

70% of current family business leaders do not have a succession plan in place

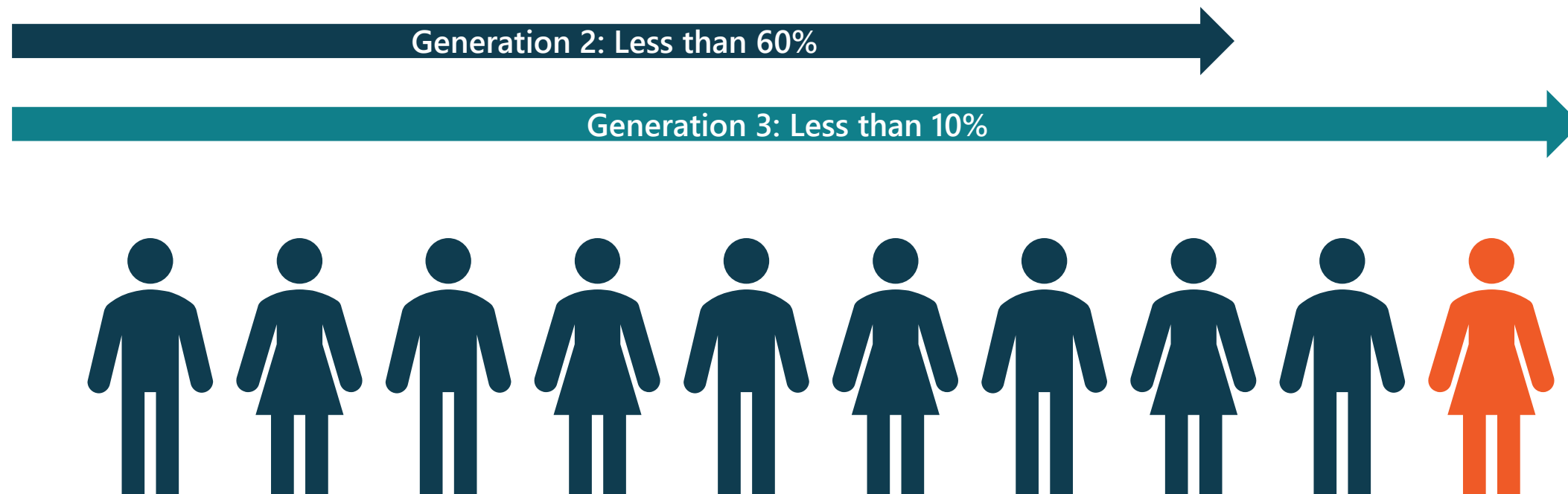


48% of family businesses plan on passing management/ownership of the business to the next generation



# Who Will it Be?

All in the family?



# Plans for Transition

## But...

What if...?



The price isn't right?



There's a shortage of buyers



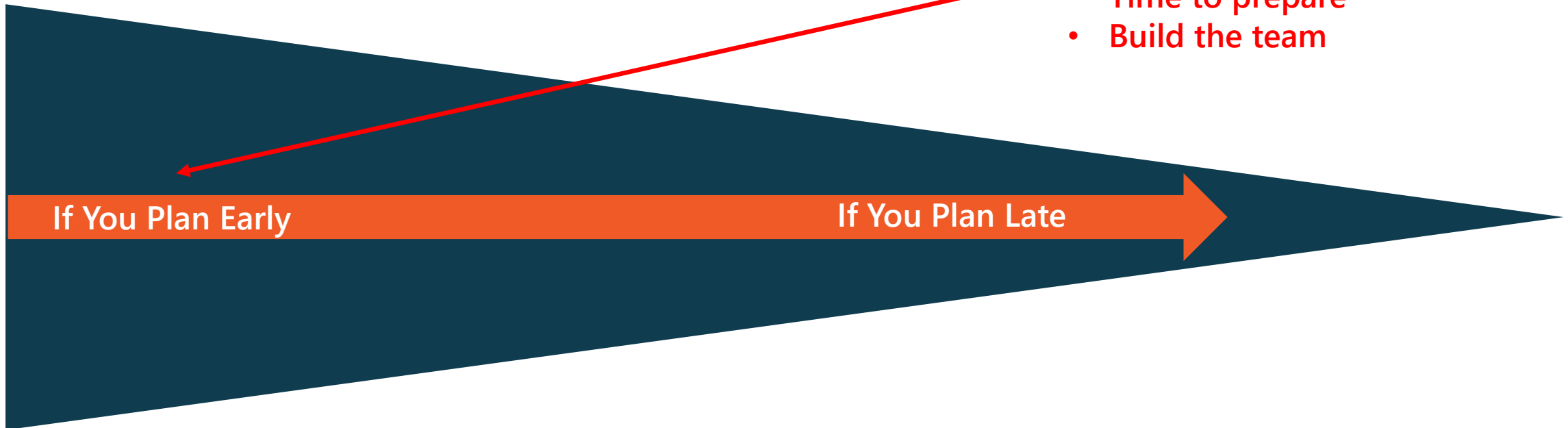
You're not done being a business owner?



The right people are not yet in place?

# When Do We Plan?

- More control
- More outcomes
- Time to prepare
- Build the team



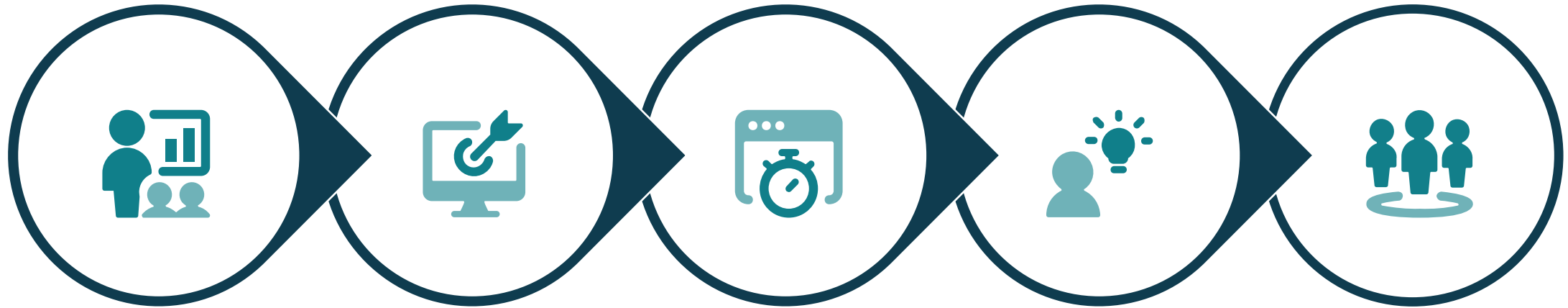
Most Options

More Options

Fewer Options

No Options

# It All Starts With Being Intentional



What do you  
want?

What do you  
need?

When do you  
want it?

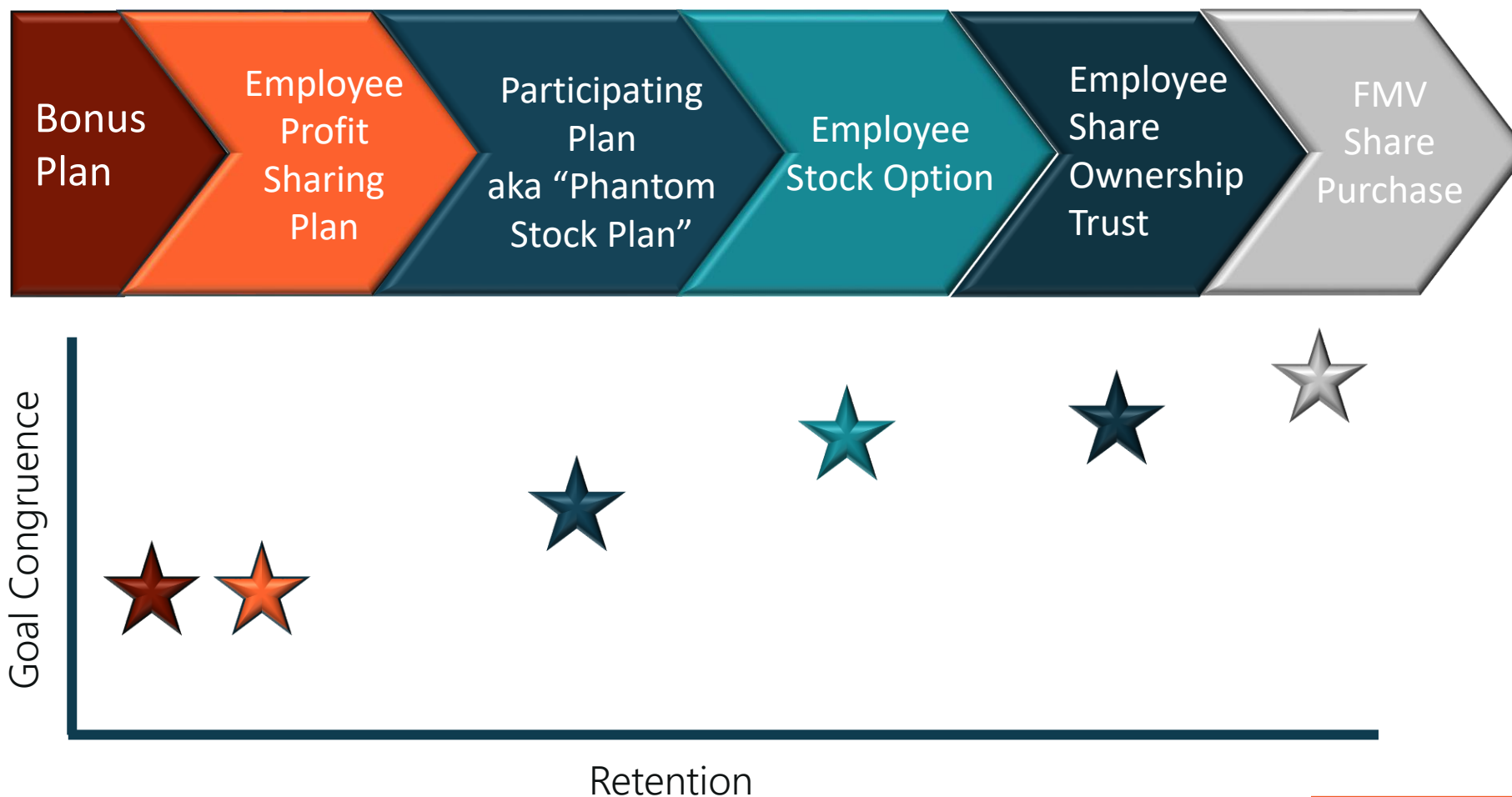
What are  
your options?

Who is (are)  
your Team(s)?

...this is **SMART** succession planning....

# Alternative Equity Structures

What if... Your employees thought and acted like owners?



# An Alternative



What if...You could take advantage of market conditions to acquire and consolidate?

- You prepare the business for a sale if that is what you want
- You drive the EBITDA to increase the cash flow and validate to buyers why they should pay more
- You invest in the business to make your company stronger
- You analyse all your investments and capex with a view to a sale
- You find out who the buyers may be, and what they will want to buy. Then you build something they want to buy



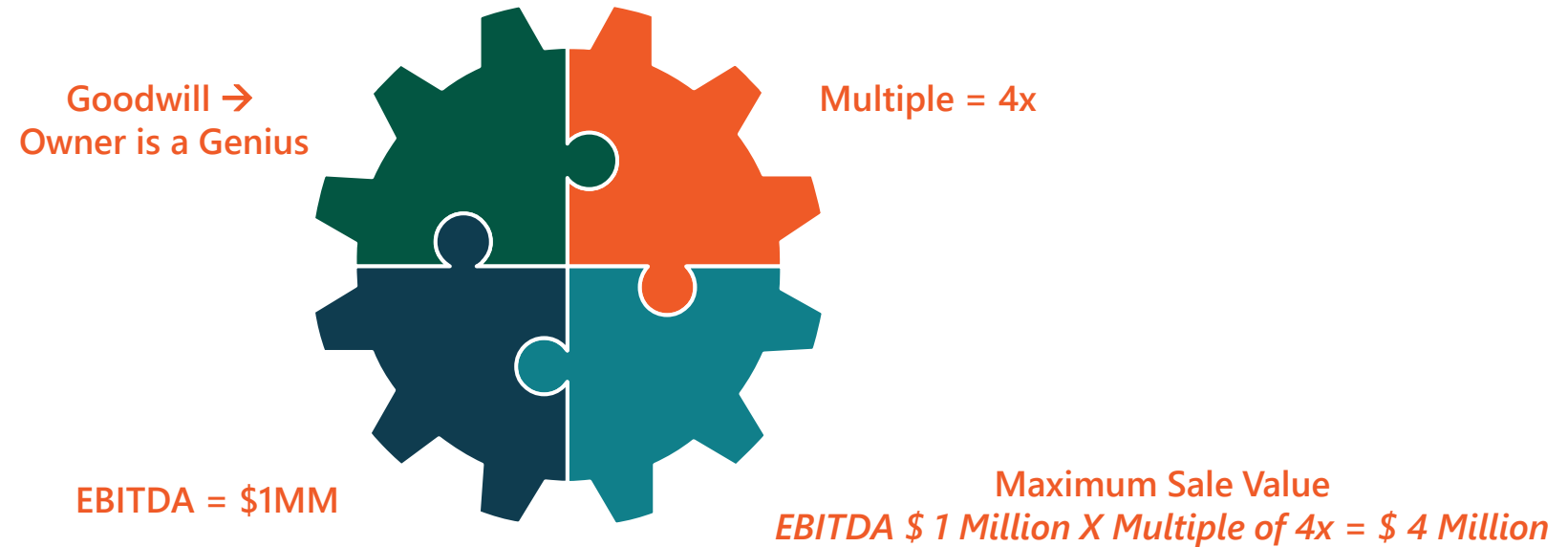
# An Alternative



What if...You are able to take a step back and make the company actually do better?

- You build the right team
- You build critical role succession
- You increase their big picture thinking
- You replace yourself or your roles over time - no rush moves needed

# Maximizing Enterprise Value



## Traditional Approach

- Letter of Intent
- Quality of Earnings Report
  - Financial Due Diligence
- Negotiation: ID Risk, Earn backs, Soft Economy?

## The Business Owner's Point of View

- How to I maximize EV?
- Selling my business in a "soft" market?
- Goodwill: what does that mean?
- Sales concentration with few customers
- How much tax do I have to pay?

# MNP Can Help

We know how to **create a plan that can address your needs**



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- Corporate Finance
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- Enterprise Risk
- Investigation and Forensic Services
- Succession
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# MNP Office Locations



# Thank you for your attention

Please contact us should you have any questions,



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THANK YOU

**MNP**  
LLP