

Privately Held Business Succession Planning—A Crucial Process

By Edward S. Rosenfeld

Ed Rosenfeld discusses planning for business succession and the role of the most trusted advisor using positive conflict to bring change for the future benefit of the business and the business family.

Introduction

Millions of Baby Boom entrepreneurs will want to retire over the next decade. Almost 11,000 boomers turn 50 every day.¹ Privately-owned businesses are the main generator of personal wealth and employment in the US.² But unless the accounting and financial planning professions become better at helping owners of privately-owned businesses transition effectively many will be faced with poor choices when they are ready to retire.

One key requisite to planning retirement from a privately-owned business is to have a good business management and ownership succession plan. Unfortunately, the fear of conflict often gets in the way of planning succession. The professionals who are the Trusted Advisor³ to the entrepreneur and who should be in a position to help often fear stepping into the hornets' nest of conflict with family members both active and inactive in the business, business partners and with the client himself. Professionals who are willing and able to help create a safe environment for conflict or to collaborate in a team effort with other professionals can not only help business owners create a better retirement plan, but can help jump start a process that may be mired in inertia and procrastination. They become the Most Trusted Advisor (MTA)⁴ to the entrepreneur and open up a myriad of opportunities to positively affect their clients' retirement planning.

The good news is that the field of family business consulting is a growing resource that can help the fi-

ancial planning, accounting and legal communities with education, training, and consulting services targeted to support them in serving the family-business owner client. Broadly defined, 90 percent of private and many publicly owned businesses can be called family businesses⁵ or depending on your perspective, families in business together. The fields of origin of most family business consultants are in accounting, estate-planning, law, organizational development, mediation and family-therapy. The choice of a family business consultant, if any, will depend on profession of origin and skills of the MTA and the requirements of the particular business situation.

The Change Equation: Change=Conflict=Change

Many of us have become frustrated with entrepreneurs who, when faced with planning their retirement and exit from their businesses, cannot seem to make a decision. Well crafted and expensive estate and succession plans sit on the shelf. The client tells us, "We will get to it." Inertia is exhibited by the many entrepreneurs who are avowedly too busy with daily business operations to seriously plan ahead. Why do entrepreneurs, who are smart and have worked hard for their money, often do such a poor job of planning their exit and the passing of their accumulated wealth, much of it in their business, to the next generation?

All change leads to conflict and conflict leads to change. This is the "Change Equation."⁶ People fear change because they do not like change and do not want to rehash the past. However, conflict does not have to be negative. Conflict that leads to progress is good or

Edward S. Rosenfeld is the founder and President of Foresight Advisors. He can be reached at (212) 579-2613 or ed@nowtonext.com.

“Positive Conflict.” Negative conflict or the absence of conflict leads to business destruction or stagnation.

When dealing with the conflict that inevitably arises from change, especially change that may involve succession issues like choosing which child will receive management control or ownership of the family business, owners that are passive or aggressive rather than assertive in dealing with the issues that arise from change get themselves into trouble. They address stated positions rather than underlying needs. What is needed is understanding the common interests to move forward, not look back and the establishment of a safe environment that facilitates communication and the airing of differing needs and perspectives.

The Positive Conflict Model

In the Positive Conflict Model⁷, see Diagram 1, we can see that focusing on “Yesterday,” will result in a 96 percent failure rate for managing conflict. Focusing on “Tomorrow” helps move the conflict from rehashing old hurts and rivalries to gathering the facts, building the structures and discovering the common interest of the parties for moving ahead. While the family business consultant must understand and help articulate the Values, Relationships and Personalities

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of his clients, allowing discussion to flounder here is a recipe for failure. Resolving emotional issues is in the domain of therapy, not family business consulting.

Focusing on the future while understanding the past provides the best option for managing conflict. Conflict, like change, is continuous and therefore is best thought of as something to manage, rather than resolve.

Once common interests are identified, a focus on facts allows for the appropriate design of structures that will serve the common interest. The design and implementation of structures provides a dual benefit.

First, it creates the foundation of a professional organization. Any well organized business requires compensation policies, organizational structure and accountability. Rules for entry into the business by family members and for maintaining motivation

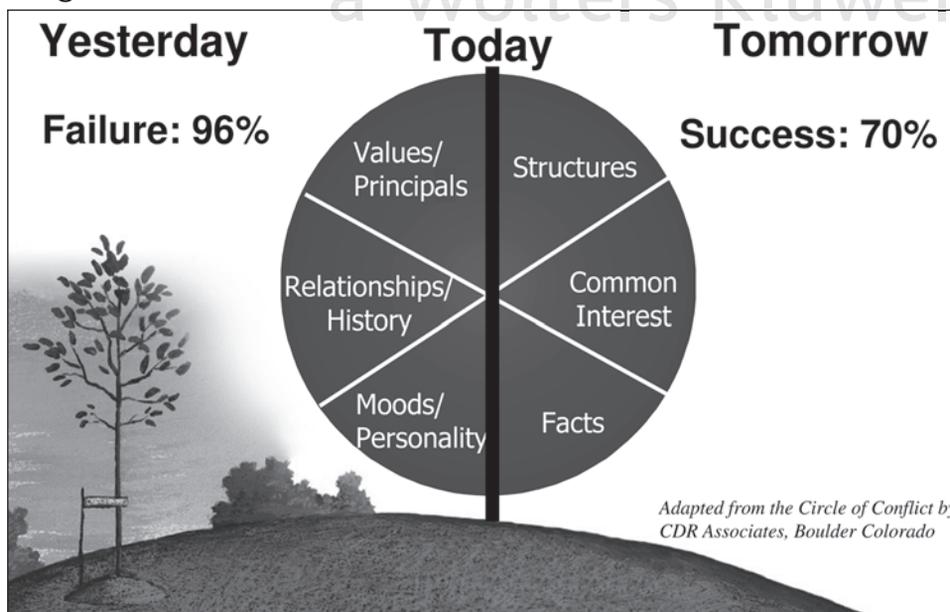
and harmony among non-family managers are essential. Building the strongest possible management team will maximize the future value of the business and the choices the ownership will have when exiting the business in retirement. Second, in discussing, agreeing on and building the business structures the participants have an opportunity to create committees, panels, councils, boards or other vehicles for ongoing conflict management and communication. It is essential that discussions take place

in the proper contexts. Also, managing smaller conflicts is excellent practice for dealing with larger issues.

Communication

Separating family issues from business issues, each in their own forum, can help the participants be clear about the roles each individual plays and the objectives they each have and how those objectives may conflict. The key is to articulate the differences and collectively balance the interests, without necessarily indicating a “right” and a “wrong” position.

Diagram 1. The Positive Conflict Model



Adapted from the Circle of Conflict by CDR Associates, Boulder Colorado

While a company is under the direct management of a first generation entrepreneur or other strong leader, poor communication and below-the-surface conflict may be manageable. However under the stress of change, old patterns for avoiding conflict may no longer work.⁸ Good communication is essential in order for change to lead to positive conflict. It is a role of the MTA to help create a safe environment for communication to take place. Cooperatively building business structures and decision making venues are good practice for the eventual process of negotiating successor entry to and owner exit from the business.

Good communication is essential for developing the trust a family business requires among its stakeholders in order to flourish. This includes both those participating in the business and inactive members.

There is a myth in many families that they are just too fragile to discuss sensitive issues and that bringing them up will only make matters worse.⁹ This is self-defeating behavior. Trust is best built by setting a good example in being trustworthy and open. Someone has to go first. An individual can initiate communication and trust with or without the assistance of their MTA, but it is the role of the MTA to educate their client about the benefits of open communication. This is:

The Trust Axiom.¹⁰ *Generosity builds trust, secrecy destroys it.*

Roles and Responsibilities

Good communication leads to a growing ability to sort out the conflicting roles and responsibilities in

a family business. Viewing family and business each as a system,¹¹ with very different rules and reasons for existence, can help families sort out and prioritize each role and assign appropriate accountability. Diagram 2¹² illustrates this concept.

An anecdote that illustrates the challenge of separating the role of the family from the role of the business is shown in Stu Leonard’s quandary, of the eponymous mega food store when he had to reprimand a son on his performance. He put on a hat labeled “CEO” and read the riot act to his son. Then he removed the CEO hat and put on a hat labeled “DAD,” moved over to the side of the desk his son was on and said, “Now how can I help you get through this?”

Crisis

Unfortunately, rather than planning ahead, it is a crisis such as a business setback, an impasse among partners or the illness of the CEO, that more often than not initiates change. If the crisis is not a fatal one (literally or figuratively), it is very possible to use a crisis as the catalyst for change. At a time of crisis it is often best to bring in an outside party to facilitate agreement and to serve as an impartial mediator. Some family business consultants are trained in mediation and some mediators work well in family business disputes. There is a trend in estate planning towards mediating the plan among parents and adult children.¹³ The MTA may rely on a third party for reasons of professional ethics and/

Diagram 2. Family/Business System Role Conflict

Family System Purpose	Overlap	Business System Purpose
Decision Making Parent is vested with authority.	C O N F L I C T	Decision Making The CEO is vested with authority.
Participation Birth may preclude rational hiring.		Participation Employees fired based on competence.
Money Distributed based on “Need” or equally.		Money Compensation based on skills and performance.
Training Learning opportunities provided are designed to satisfy individual needs.		Training Learning opportunities provided are designed to satisfy business needs.
Review and Accountability Participants are regarded as “ends” rather than “means.” Growth and expression are encouraged. Objective feedback may be compromised.		Review and Accountability Participants are regarded as “means” rather than “ends.” Growth and consistent with organizational purpose is encouraged.
Recognition Ideally, no differentiation is made among participants.		Recognition Performance is recognized and rewarded.

or practicality as well. The MTA may be identified with one of the parties and not be perceived as impartial. The MTA may not have the skills necessary to properly mediate. If an attorney, the MTA has a high bar to cross in being able to ethically be an advocate for all parties in the dispute. On a practical level, the MTA probably does not want to become a lightning rod for the inevitable anger or hostility that will be a result of the conflict. It may be better to bring in an outsider who can become a sacrificial lamb if the mediation does not work out as hoped. It is important for the MTA to be able to preserve the client relationship while providing the best advice to their client on the options available for resolving a specific dispute. Bringing in an outsider, who can be released, preserves the relationship between the professional MTA and the client.¹⁴

Once the active dispute has been resolved there will be a great need for the MTA to design and implement solutions and to manage ongoing conflict. Remember, according to the change equation, all change leads to conflict and conflict can lead to change. It is in times of change that advisors have an opportunity to actively practice their profession and do the most good for their clients.

The Understanding Model of Mediation

When assessing a mediator's approach it is important to understand the basics of mediation and that different mediation models are more appropriate for differing types of disputes.

Mediation has several key characteristics¹⁵:

- The mediator is impartial and does not take sides.
- Mediation is a voluntary process. It is not binding.
- The mediator maintains confidentiality.

Mediation is not the same as arbitration. Arbitrators function like judges, deciding who is right and prevails in a dispute. Lawyers and former judges are often the mediators from The American Arbitration Association or JAMS. If schooled in the type of mediation used by the court system, the standard of accomplishment is in getting a settlement. However for an ongoing privately-owned business simply achieving a settlement may not guarantee the long-term health of the business or the family relationship. Having both parties unhappy at the end, in the judgment of settlement oriented mediators, means that they did a good job because both parties gave something up and money changed hands.

The "Understanding Model" of Mediation¹⁶ may be a better one for disputes among parties like partners and family members who want to maintain and even improve their relationships. They want to be able to visit their grandchildren and to have Thanksgiving Dinner together. They want to be able to look forward to coming to work everyday and engage in a cooperative non-confrontational environment. The goal of mediators trained in this model and also in Transformative Mediation¹⁷ is to provide a process that will result in a deeper understanding of the parties about their needs and differences. It puts a priority on relationship over settlement. It assumes the parties will have an ongoing relationship and therefore provides tools for managing, rather than resolving conflict.

When to Plan Succession

It is never too early to plan succession in the opinion of leading family business consultants.¹⁸ The earlier in the lifecycle of a business succession planning begins, the greater the options will be when retirement comes. Succession planning fits hand in glove with strategic planning¹⁹ and professionalizing a growing business. Various triggers may initiate succession planning, and when they happen, the MTA can see these as an opportunity to guide change in a positive long-term direction. The case study that follows illustrates this concept.

Case Study 1

Old World Cheese Company—Manufacturers of Artisan Cheese. Reginald founded Old World Cheese Company, Inc., blending the experience he gained in Europe with 50 years of family tradition to create the perfect recipe for success. Reginald's business objectives were to create a small artisan business providing the best quality cheese to the New York Market.

The Early Years

Operating out of a tiny facility in Woodstock, N.Y., Old World Cheese Company focused on selling its high quality artisan cheese on a small scale to exclusive customers such as Dean and DeLuca, Zabar's and Balducci's. Due to the company's success and the expansion of its customers, in 1997 the company moved to a 17,500 square-foot facility. Continuing to expand and building a reputation in the market-place as a high quality product with great customer support, by 2003 Old World Cheese Company was again out of capacity.

The Move to New Hope

In order to expand the business, in 2004, Old World Cheese Company, with the assistance of Mike, then a consultant to the company, negotiated to take over a 54,000 square-foot production facility located near New Hope, Pa. The move was initially a disaster, and with losses of \$200,000 per month, Reginald made Mike CEO. Geoff had also joined the company from a competitor, as Director of Manufacturing, bringing critical expertise on manufacturing traditional old world artisan cheese of high quality, using modern production methods that do not stint on the ingredients or aging process.

Through the efforts of Mike and Geoff, Old World built itself into a \$16 million company growing at 40 percent per year in 2007. Unfortunately discord among Mike and Geoff threatened to destroy what had been built. Mike had made some missteps during the year, investing in machinery that did not work as designed. Geoff, while he had an excellent phantom stock plan and a share of net operating profits, bridled at not having actual equity as Mike did. Adding to this corrosive mix, Reginald wanted to alter his buy-sell agreement with Mike so that he could pass the business on to his two college age children.

Time was of the essence in that Geoff had given 60 days notice of termination, as called for in his employment agreement and Reginald was

concerned that if an accommodation could not be made with Mike, that he would vest an additional 5 percent of ownership to bring him to 15 percent of a planned 25 percent ownership stake. Reginald passionately wanted to retain Geoff, as Cheese-Makers of his caliber are impossible to find, but on the other hand was reluctant to share more than 25 percent of the equity. One solution would have been to buy Mike out but Reginald wanted to keep his team together and continue their company growth.

The Engagement

Phase 1: Assessment. To address the issues with the goal of making recommendations to resolve or manage the conflict between Mike and Geoff, the first step was to perform an assessment. We interviewed key players, including Reginald, the Principal Owner, Mike, the CEO and Geoff, the Head Cheese maker to better understand their underlying issues. We reviewed job descriptions and the organization chart and examined the competitive, operating and financial positioning of Old World. We also observed production and various other business activities that shed additional light on the relationship issues as they affected the business. Additional interviews were performed with the COO, Controller, and Personnel Administrator. We also reviewed and analyzed key documents such as employment agreements, business plan, employee benefits, shareholders agreement, buy-sell agreement, financial reports and other pertinent documents. From this information we obtained a full picture of the current situation and made recommendations for intervention.

Phase 2: Intervention. Consistent with Reginald's desire to maintain and enhance the team of Mike and Geoff the next step was to work with them as a team to enhance their understanding of each other and ability to work together and to assess whether this would lead to an end to the conflict and usher in a newly cooperative relationship.

Diagram 3. Vision

	Mike	Reginald	Geoff	Team
Quality	Business Driver	Personal Satisfaction	Passion; For Everyone	The Cheese
Financial	Success; Business and Personal	Security; Balance Growth and Risk	Security; Family	Responsible, Profitable Growth
Creativity	The Brand-Continuous Improvement	Cheese and Cheese Making	Cheese and Cheese Making	Artisan Cheese and its metaphorical meaning
Innovation	Technology and People	Technology and People	Technology and People	Optimal Organization
Team	Lead to Win	Inspire the Vision	Create the Vision	The Team
Balance	Family	Delegate	Family	Life and Work Balance
Time Frame	Long Term or Roll-up: Maximize Shareholder Value	10 years plus	Long Term	Long Term (10-year min.)
Work Environment	Positive	Positive	Positive	Enjoy Coming to Work

Step 1. Create Vision and Principals/Values Statements for Old World

The process of creating the Vision Statement and then the Principals/Values Matrix gave Mike and Geoff, as well as Reginald, an opportunity to explore their common interests and differences. Through a facilitated process, their understanding and appreciation for each other deepened and they agreed on a common direction. Reginald also had the opportunity to shape the Statements and Matrix and thereby clarify and make concrete his own goals for Old World. The Vision Statement expresses what the team of Reginald, Mike and Geoff want Old World to do for them.

The Vision Statement is private, unlike a Mission Statement, which is a promise from the company to the stakeholders. While Principals/Values are more fundamental than Vision, we began with the Vision to stimulate cooperative behavior and the creation of a concrete expression of common interests and goals.

Methodology: Through a facilitated open discussion process, we clarified each individual’s Vision for the company. Then we collectively boiled down the individual’s Vision to a Team Vision that everyone could buy into. See the Vision Matrix, Diagram 3.

Once we were able to find the common ground we put the totality of the Vision into a short paragraph that is to be reviewed regularly for relevance and changing circumstances, as follows:

Advisors must be proactive in encouraging and guiding change by creating a safe environment for conflict that overcomes inertia.

Vision Statement:

“Old World will efficiently produce the best quality Old World style artisan cheese. We will accomplish our goal through our mutual commitment to maximizing shareholder value, teamwork, innovation, creativity and life/work balance.”

We then examined first principals of each individual in an open discussion, see Diagram 4.

We then looked for the common thread and prioritized, thereby separating Principals from Values, see Diagram 5.

By going through the exercise of defining the Vision and Principals/Values we determined that the team wants to go forward and their desires are compatible. Each team member could envision the kind of company they

wished to create and that they could create it together. When we were done, we were able to put employment terminations on hold.

Step 2. Assess Roles and Accountabilities

We considered each person’s unique abilities within the overall management team. We prioritized timing and budgetary dimensions of building the middle management team. Jerry, VP of Operations and Derek, the CFO, were assessed to be quite competent; weak areas were in middle level Production Management, in Information Technology, and Human Resources.

A key aspect of this process was to understand that each team member has multiple roles, each with a distinct purpose and that everyone has accountability that varies according to role.

Accountability means not

just who is above or on the same level, but that we are accountable as well to our employees for supporting them in their jobs. We introduced the concept of “Servant Leader,”²⁰ in which leadership is about serving others rather than being self-serving.

What we discovered in this exercise is that employees are ac-

Diagram 4. Individual Principals

Reginald	Humility	Modesty	Happiness	Truthfulness
Geoff	Commitment	Ethics	Strive for Perfection	Family Well-being
Mike	Commitment	Accountability	Teamwork	Work/Life Balance

Diagram 5. Team Principals and Values Matrix

Principals	Ethical	Committed	Work/Life Balance
Values	Modest	Passion	Family Well-being
	Humble	Teamwork	Understanding the Other
	Truthful	Lead by Example	Present
	Fair	Work Ethic	
	Respectful	Accountable	
	Honest	Strive for Perfection	
	Forthright		

Diagram 6. Roles and Accountabilities

Person	Role	Purpose	Accountable to:
Reginald Chairman	<ol style="list-style-type: none"> 1. Mentoring 2. Financial Resources 3. Approve Strategy 4. Inspirational Leadership 5. Balance 	<ol style="list-style-type: none"> 1. To develop the Human Capital of Old World Cheese. 2. To provide Old World Cheese with the ability to obtain outside financing. 3. To validate that the Strategic Operating Plans is aligned with the Shareholders' Vision. 4. To provide Old World Cheese with a unifying set of principles. 5. To remind the Senior Team to maintain perspective. 	<ol style="list-style-type: none"> 1. All Old World Cheese Employees 2. Owners 3. Owners and Mike 4. All Old World Cheese Employees 5. Mike and Geoff
Mike CEO	<ol style="list-style-type: none"> 1. Identify Strategic Direction 2. Providing Resources 3. Approving Budgets 4. Approving Departmental Objectives 5. Leadership 	<ol style="list-style-type: none"> 1. Assure Old World Cheese's success in achieving the Vision. 2. To support the Senior Team to achieve the Old World Cheese goals. 3. To ensure the financial objectives of the shareholders. 4. To ensure the Senior Team's goals are aligned with the Vision. 5. To provide support and guidance and motivate the Senior Team to achieve their goals. 	<ol style="list-style-type: none"> 1. Reginald, Owners and Senior Team 2. Reginald, Owners and Senior Team 3. Reginald, Owners and Senior Team 4. Reginald, Owners and Senior Team 5. Reginald, Owners and Senior Team
Geoff Executive VP (new title)	<ol style="list-style-type: none"> 1. Production 2. Quality Control 3. Product Development 4. Customer Partnerships 5. Product Vision 	<ol style="list-style-type: none"> 1. To produce the required production volume at or below standard costs. 2. To produce the required production volume at or above the quality standard. 3. Develop profitable new products that are consistent with the company quality standard. 4. Listen/Communicate with customers to develop a strong long term partnership. 5. Identify the trends and strategic opportunity for Old World Cheese to be an innovative leader in artisan cheese. 	<ol style="list-style-type: none"> 1. Mike, Senior Team, Production Managers, Michael, Erwin and Reginald 2. Mike, Don, Customers and Reginald 3. Mike, Don, Customers and Reginald 4. Mike, Don, Customers and Reginald 5. Mike, Don and Reginald
Jerry VP for Operations	<ol style="list-style-type: none"> 1. Facilities 2. Inventory 3. Purchasing 4. Capacity Planning 5. Capacity Expansion 	<ol style="list-style-type: none"> 1. To insure all equipment is up and running when scheduled. 2. To insure accurate inventory for all raw and finished goods. 3. To predict, purchase and maintain all materials at the company quality standard. 4. To identify the company production capacity and identify equipment needs. 5. To work with Geoff to identify, purchase and implement new equipment. 	<ol style="list-style-type: none"> 1. Mike, Geoff, Reginald and Production Managers 2. Mike, Geoff, Derek, Don, Michael, Javier and Erwin 3. Mike, Geoff, Derek and Erwin 4. Mike, Geoff, Senior Team and Reginald 5. Mike, Geoff, Senior Team and Reginald
Derek CFO	<ol style="list-style-type: none"> 1. Financial Accounting 2. Human Resources 3. Information Technology 4. Operation Reporting 5. Business Analysis 	<ol style="list-style-type: none"> 1. Accurately and Timely Reporting with realistic budgets. 2. Provide Strategic Leadership to insure effective recruiting, company communication and training systems. 3. Create, Execute and Manage the Strategic IT Plan to enable timely and accurate data management which provides actionable information. 4. Work with all departments to insure timely and accurate KPIs. 5. Work with all departments to develop KPIs and Process Improvement. 	<ol style="list-style-type: none"> 1. Mike, Owners, Senior Team, External Accountants and Bank 2. Mike, Senior Team, Reginald and Middle Management 3. Mike, Senior Team and Middle Management 4. Mike, Senior Team, Reginald and Middle Management 5. Mike, Senior Team and Middle Management
Don VP Sales and Marketing	<ol style="list-style-type: none"> 1. Sales Forecasting 2. Sales Execution 3. Marketing 4. Customer Service 5. Distribution & Freight 	<ol style="list-style-type: none"> 1. To accurately project production needs over a rolling 6 month period. 2. To hit sales targets. 3. To develop our Market Strategy and Strategic Mktg Plan. 4. To provide extremely high customer satisfaction measured by KPIs. 5. To accurately distribute our products with the proper quality controls at a responsible cost. 	<ol style="list-style-type: none"> 1. Mike & Geoff 2. Mike 3. Mike, Geoff & Reginald 4. Mike, Michael, Geoff & Reginald 5. Mike, Michael, Erwin and Jerry

countable to multiple individuals, both above and below them on the organizational chart. Mike was able to clarify his roles in relation to Reginald and Geoff and this role clarification served to reduce the tension.

The Owners also planned a Council for Ownership issues and understood that in the Operating Business, it was Mike who had to discharge his role and responsibilities as CEO with accountability to Geoff and Reginald, but with proper lines of authority.

Step 3. Review Compensation and Employment Contracts

Mike and Geoff each had employment agreements that worked at cross purposes. Their incentives were based on different formulations of profitability and time frames. We designed and implemented an executive benefits plan that harmonized the three key executives' compensation with Old World's Vision. This included key-man insurance, executive bonuses and distributions planning. The key points were as follows:

- Mike's and Geoff's buyout formula needed to deduct all debt, including loans from Reginald. Otherwise, selling at hybrid formula of six times EBITDA or 90 percent of sales, which in the real world would most likely be an asset sale, would have left Reginald to repay himself his stock-holder loans and the bank. At the same time a formula was necessary that would not overly dilute a buyout directly after a large capital infusion
- Mike had benefits of ownership, but no capital at risk. Reginald would have liked Mike to have some responsibility for personally guaranteeing the loan. In the end, Reginald gave this up in favor of reducing Mike's ownership from 25 percent to 20 percent.
- Reginald did not want Mike to have the right to buy Reginald's shares at the time of Reginald's death. We designed a plan with stay bonuses and departure penalties for Mike and Geoff for a two-year period in the event of Reginald's death. The heirs would also have the right to buy out the minority partners at this time based on a formula. This would give his heirs sufficient time to decide on the direction of the company. Funding was a combination of universal life insurance and if there remained any deficiency, based on a formula from cash flow over six years.

We successfully renegotiated both contracts. Reginald agreed to make Geoff a partner for 15 percent, with Mike selling 5 percent and 10 percent coming from Reginald. Reginald therefore retained 65 percent, when he wanted 75 percent and Mike giving up 5 percent to end with 20 percent.

Step 4. Define Reginald's Role as Chairman and Principal Owner

Reginald has a natural ability for big picture thinking and a knack for leadership in a very modest, self-effacing way. He can serve as an example to Mike and also as the public face of Old World both internally and externally.

Step 5. Develop Mission Statement for Old World

"Old World Cheese's Mission is to bring Old World quality and taste to a broad market at a competitive price without compromising our cheese."

Creating a mission statement creates an opportunity for the three owners to reintroduce themselves as a team to the entire company and to publicize Old World's Mission to all stakeholders. This includes employees, vendors and customers. The Mission Statement is a public document that the company strives to actualize and uses to evaluate performance.

Step 6. Create Ownership Council

Reginald, Geoff and Mike needed a structure that enabled them to make collective decisions for the immediate and long-term goals of Old World Cheese.

Step 7. One-on-One Coaching

Both Mike and Geoff benefit from help in enhancing their management abilities. Mike needs focus on staying with the big picture and avoiding micromanaging. Mike is learning to think of himself as a "servant leader"; making a shift from a "me" focus to a "we" focus. Geoff has a great passion for the business and has an artist's striving for perfection. From a managerial perspective, he needs to empower and inspire middle managers to execute his vision on a daily basis. He also needs to be less hard on himself and his team. High standards must always be tempered by realistic expectations. A strong training program at all levels will be key to reproducing excellence on a consistent basis, in all shifts, product lines and over time, in any new production facilities that are opened.

Conclusion

Creating a safe environment for managing conflict and change is essential for successful transitions. In change is opportunity. Advisors must be proactive in encouraging and guiding change by creating a safe environment for conflict that overcomes inertia. New opportunities abound in process consulting, product sales and professional services for MTAs who are sensitive to the dynamics of change in family-owned or privately held businesses.²¹ In all social systems, family-business included, there are periods of stasis or inertia that suddenly change when the conditions

are ready for a paradigm shift.²² This is when most advisors jump in and write trusts, do tax planning, sell insurance or sell a company. The Most Trusted Advisor will be prepared to offer services during the periods of stasis that move their client along to a new paradigm, thereby establishing and enhancing their relationship throughout the entire client lifecycle and positioning themselves to participate in the change. Retirement planning is part of Succession Planning in the family owned business and it is never too early to begin. What is needed is to be prepared to step into the hornet's nest of conflict or bring in someone who is.

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