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All in the family

The Denver Business Journal - by [Doug McPherson](#) Special to the Business Journal

It may not make for the most titillating chatter around the family dinner table, but legal experts say families that own a business need to talk about who's going to take over the business.

"The problem is a major one. Let's put it this way: If succession planning for small and mid-sized businesses were graded like a class in school, the grade would be a C-minus or D-plus," said John Couzens, managing partner at Trinity Capital Services, LLC, a consulting and advisory firm in Denver.

"Family business owners have great difficulty in getting clarity on what they want for the business in ownership transition."

And Couzens isn't alone in his criticism.

"Owners often don't think critically about the family members who are possible successors," said Barbara J. Wells, managing director of Minor & Brown PC, a Denver-based law firm. "And as a result, they often plan for child A, possibly the oldest child, to run the company when the correct answer might be child B."

Wells said owners also fail to do "the hard job" about explaining to the family their thoughts about the business succession -- and why.

Specialists say it's about having a plan.

Couzens agreed and said there is often an unwillingness to do the necessary planning.

"Owners of family businesses are especially vulnerable to working without a plan," he said. "Those who don't plan for the future wind up reacting to circumstances. That generally leads to less favorable outcomes and often means that they lose the very control that was so important in the first place."

Planners are prepared

Experts say those who do plan for the future are better prepared to anticipate problems and manage around those problems to get a healthy succession plan in place.

"It doesn't need to be complicated, but simply taking the time to think through the preferences of the owners and the likelihood that the next generation can or cannot -- or if they want to -- step up to the responsibilities, and with passion," Couzens said.

And many insiders say it's a good idea for owners to get clear on their goals for the business ownership before they seek help from an attorney or accountant.



"Even more than other businesses, family-owned organizations need to think things through, think about long-term ramifications of their actions, and become confident with their decisions before moving forward," Couzens said.

After owners know their preferences, goals and constraints, Couzens said, they need to create scenario alternatives for the various ownership transitions that could take place, rank the alternatives based on preferences and constraints, and then build business cases for each alternative to better understand the resources required, risks and key milestones.

"Some financial modeling can help owners see, very quickly, what makes sense and what doesn't," Couzens said.

Patrick Linden, a senior associate with Kamlet Shepherd & Reichert LLP in Denver, said his advice is not to procrastinate.

"One of the most common pitfalls for an owner of a family-owned company is procrastination," Linden said. "An owner can begin succession planning at any point in the company's life cycle. There is no time like the present, and the sooner, the better."

Linden also recommends tapping the right advisers who'll help ensure your plan is successful.

"Consult with individuals who are trustworthy and knowledgeable about succession planning and your related goals and objectives."

He suggests an experienced tax accountant, an estate planning and corporate attorney, a financial planner and those of your heirs and employees who stand to be affected.

Children taking charge

Wells said owners often don't know how to allow their family members to take charge.

"The children will likely want to do things differently -- with more technology, with a different focus," Wells said. "The owners have to be comfortable with that, or the children have to be comfortable with not making those changes."

She recommended that owners train their children slowly, "let them make mistakes and let them succeed."

Wells said her best advice is this: Start early and be realistic, communicate with the family members what the plan is and why. "If you don't have a plan to start with and communicate that plan, then you will leave a very complicated situation if you die, or have some family members who are very upset."

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