

**Continuity and Succession Planning; Three Steps to Reduce the Tension  
Webinar: September 19, 2018  
Family Business Magazine and PwC**

**Answers to questions that were asked during the webinar, but not addressed during the live event.**

**The answers come from Charlie Carr and Belinda Sneddon, Managing Directors for PwC's US Family Enterprise Advisory Services group, and Dave Juday, director and retired Chairman, IDEAL Industries, Inc.**

**1. How to handle a very troubled and dysfunctional family shareholder?**

Often, the family member who is perceived to be the biggest "trouble-maker" is someone who has strong feelings about the family and the business, but feels they have not been heard. We find it can be very helpful to bring them into the process, giving them a voice and a role in defining the future. This can go a long way toward easing tension and finding common ground. However, there are definitely circumstances where the discord is so severe that an expert facilitator, psychologist or relationship coach needs to be involved. Ultimately, a family member or branch of the family may need to be bought out of the business if the issues cannot be resolved.

**2. How did you prepare yourself and the company for retirement? (Question for Dave Juday)**

Whatever else you are working with and on, it is critical to understand what the true undercurrent of the family is. There is no point in creating sound governance over a family in which the controlling shareholders have no interest in it or have another agenda. There were a few key issues I wanted to address – re-recognition in the 80's of family and corporate structures that would prevent continuity, estate planning challenges in the 90's, negotiating some family issues throughout, and management changes that were necessary. It was only by then I figured out what I wanted to do.

**3. How much involvement should the 3rd generation have in creating first pass continuity plans with the 2nd generation?**

We generally believe that broad, age appropriate involvement leads to better outcomes. That doesn't mean you have a 15-year-old working on succession, although there may be elements of the plan you can communicate to someone that young. Each family is different, and they have to consider the relative experience and maturity levels of each member, but we encourage getting each adult generation involved.

**4. What are best practices once an operating business is sold and family has desire to still co-invest but each member has different risk tolerance/goal?**

This is an area requiring deliberate foresight, planning and communication. Part of the answer depends on how the assets are structured and owned, but we work with many families whose assets reside in a variety of entities and structures, and they allow family

members to choose individually to participate in various deals or investments. We like to see strong investment governance, and recommend separate investment policy statements for each person.

**5. Generally speaking, how often should family businesses review the existing plan?**

Continuity plans are living documents and should be reviewed on an ongoing basis. There are various elements of the plan that should be considered throughout the year. At least annually, someone should review what has changed in the last year that impacts the plans that are in place. Additionally, a strategic re-evaluation of the plan should take place every 3-5 years.

**6. Should succession plans dictate retirement dates for key employees and directors? Should senior executives have mandatory age limits for retirement?**

Families have a range of views on this. Some believe that setting a mandatory retirement policy forces leadership to be more intentional about planning for continuity and creates openings for the next generation. Other family businesses eschew retirement and want the business to maintain places for elder members. Our primary concern is making sure that the rising generation is able to have a meaningful role and move into leadership, whether the older generation remains or not. From a board perspective, we encourage boards to periodically assess their own performance as well as individual directors, making changes as needed, rather than waiting on age or term limits to kick in.

**7. What's the role of a board, especially if there are outside members?**

There are certain standard responsibilities that boards typically have. Understanding what those are can help you better consider which responsibilities you want your board to take on. These responsibilities typically include: monitoring company performance; approving and overseeing the company's strategy; overseeing risk management; CEO evaluation, compensation and succession; approving significant investments or transactions; overseeing compliance with legal and ethical standards. Note that the owners of a family company may decide they don't want the board involved in all of these areas, but we believe it's worthwhile to consider getting the board's input in these areas before reaching major decisions.

**8. Do you recommend independent non-family member directors?**

Each business is different and their culture and values need to be considered. However, we generally do believe that family businesses benefit from having independent non-family member directors. Independent directors can introduce objectivity and accountability to the board, often helping the board separate the family's needs from the company's needs. They can also bring tremendous value by providing the company with new perspectives, experiences and networks.

**9. Do you include non-bloodline family members in conversations?**

This is another area where each business is different and their values need to be considered. However, we have seen many businesses where spouses were excluded from conversations, only to find that the family member consults with them separately. Many families find it easier to include the spouses up front, rather than having additional questions and dialogue back and forth when the family member shares details with their

spouse. Remember that spouses are also raising next generation family members, so isolating them can harm family unity and cohesion.