



SUCCESSION PLANNING PARALYSIS: SYMPTOMS, CAUSES AND CURES

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Stonebridge Connection, co-founded by Marla and Leonard Chalnack, empowers business families to address the *emotionally-charged issues* that impact their family-business decision making.

Marla received her doctorate in Human Development and Family Studies from UNC Greensboro in 1995 and is Licensed Professional Counselor. Leonard earned his Juris Doctor degree from University of Pittsburgh in 1973. He is also a CPA with a Master's Degree in Organizational Psychology.



Learning Objectives

- Recognize how and why the family system impacts family business decision-making.
- Be able to identify specific family issues that contribute to Succession Planning Paralysis.
- Learn the role key person insurance has in money, mortality and succession planning.
- Be introduced to techniques for running a successful family business planning meeting.
- Understand how to help clients set realistic goals to move their business forward.

SUCCESSION PLANNING PARALYSIS

Procrastination by the senior generation to execute what appears to be well-developed succession plan to transfer company control to the next generation of the business family.

Family systems theory suggests that individuals cannot be understood in isolation from one another, but rather as a part of their family. The family system is an emotional unit of interconnected and interdependent individuals.

Each member has a role to play and rules to respect. Maintaining the same pattern of behaviors within a family may lead to balance or also to dysfunction.

PSYCHOLOGY FOUNDATIONS:

Carl Jung: (1875-1960) founder of Analytic Psychology. Among his many contributions to the field of psychology, Jung defined five basic emotions: Mad, Glad, Sad, Scared, and Ashamed. These definitions give clients the ability to communicate using the same language.



PSYCHOLOGY FOUNDATIONS:

Murray Bowen: (1913-1990) proponent of Family Systems Therapy. Among his many contributions is his theory of triangulation; two family members cannot communicate, so they bring in a third family member to alleviate their stress and act as a referee.

PSYCHOLOGY FOUNDATIONS:

David H. Olson: (1935 -) is credited with developing the Family Adaptability and Cohesion Scale (FACES) to evaluate the adaptability and cohesion dimensions in family interactions. The results of FACES leads to the development of the Circumplex Model of that family.

PSYCHOLOGY FOUNDATIONS:

Richard Schwartz: (1950 -) founder of Internal Family Systems Therapy. Clients are invited to acknowledge each unique part of themselves and to recognize the strengths and weaknesses within them and how they influence behaviors and emotions.

TOOLS FOR UNDERSTANDING FAMILY BUSINESSES DYNAMICS

- **Genogram**
- **Organizational Chart**
- **Circumplex Model**
- **Three Circle Model**

DISCUSSING THE FOUR UNDISCUSSABLES

- **Money**
- **Mistakes**
- **Mortality**
- **Mothers-in-Law**



Stepping Stones

Step 1: A “getting acquainted” conversation

Step 2: A face-to-face “chemistry” meeting to get to know family business issues in more detail

Step 3: Confidential individual interviews with family members, key employees and advisors

Step 4: A family business planning meeting to share our ideas, make recommendations, and collaborate on goal setting, resulting in an action plan

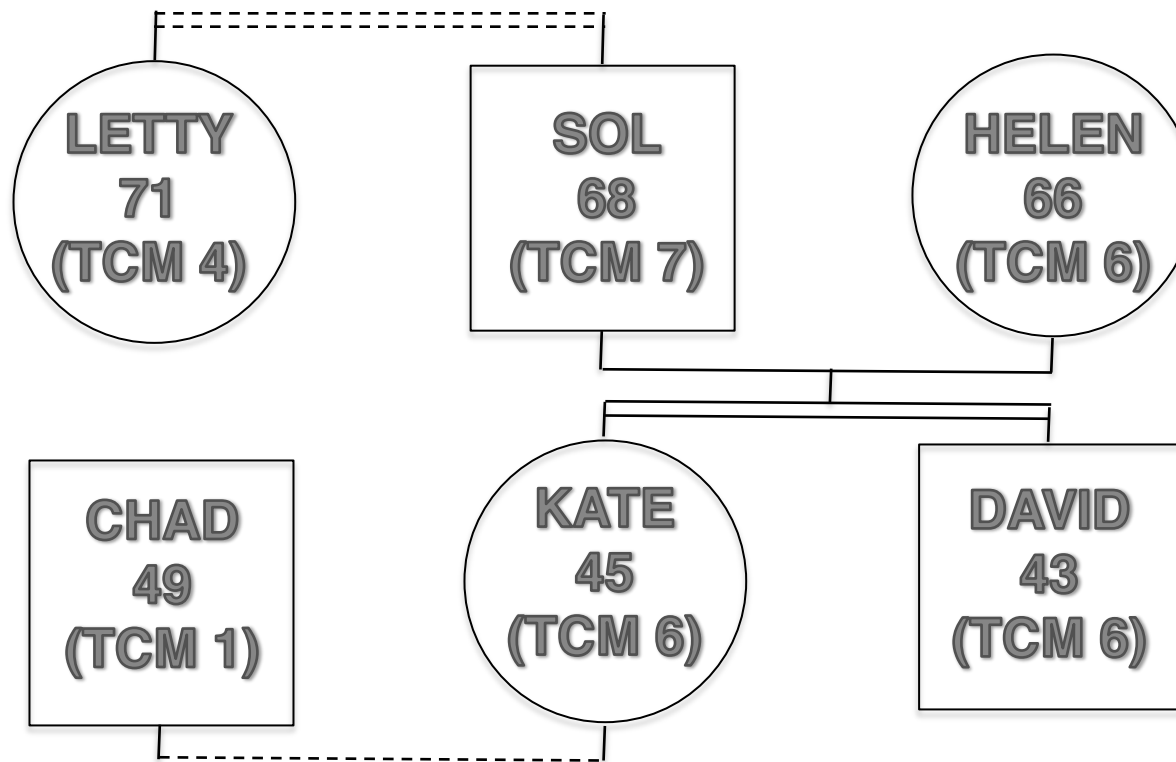
Step 5: Implementation of the action plan



The concept of the **Genogram** was developed in the 1970s by Murray Bowen as a tool to help to unravel relationships between family members by showing family affiliations and relational patterns in diagrammatic form.

A Genogram is organized by generation and families of origin, with simple symbols used to represent gender and different types of lines illustrating family relationships.

Brown Family Genogram



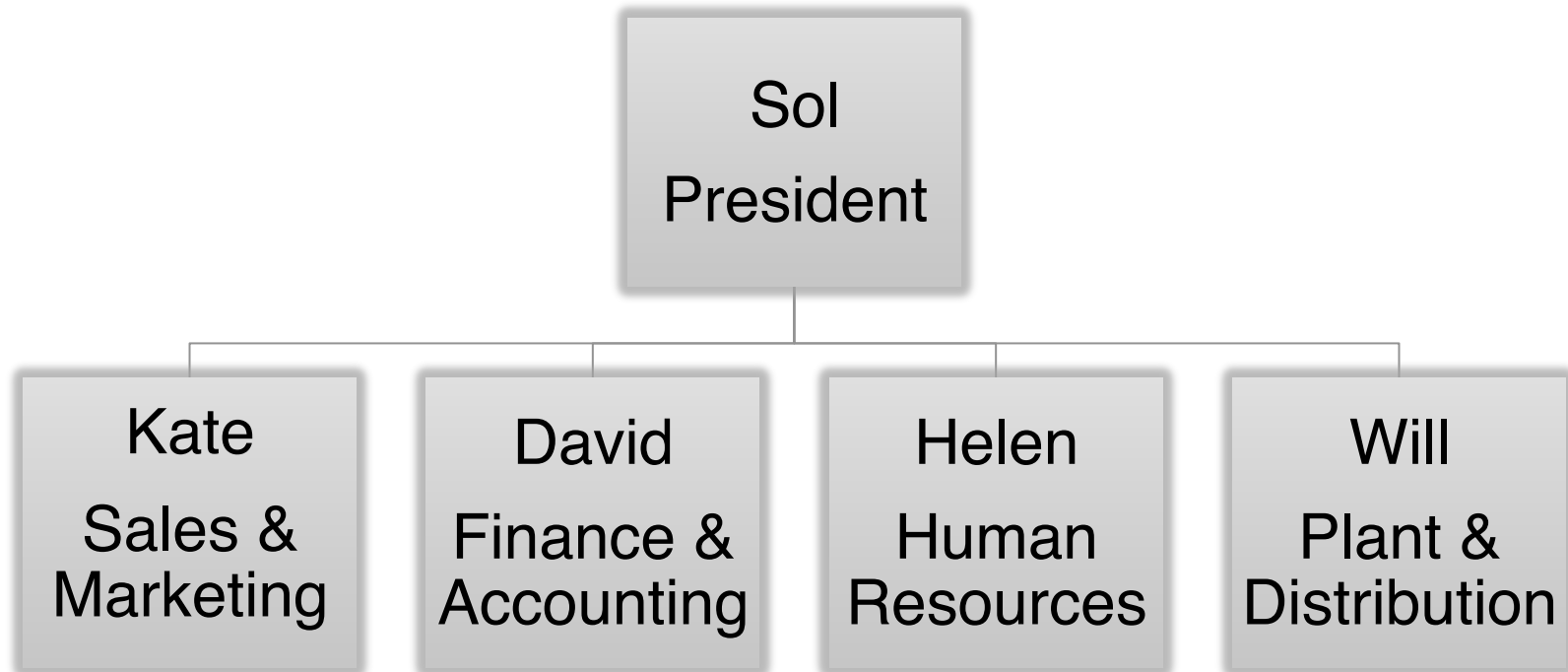
TCM designates a sector in the Three Circle Model



The **Organization Chart** is a diagram showing graphically the relation of one official to another, or others, of a company. It is also used to show the relation of one department to another, or others, or of one function of an organization to another, or others.

A company's organizational chart typically illustrates relations between people within an organization. Such relations might include chief executive officer to various departments, managers to subordinates, and so forth.

Brown Company Organizational Chart

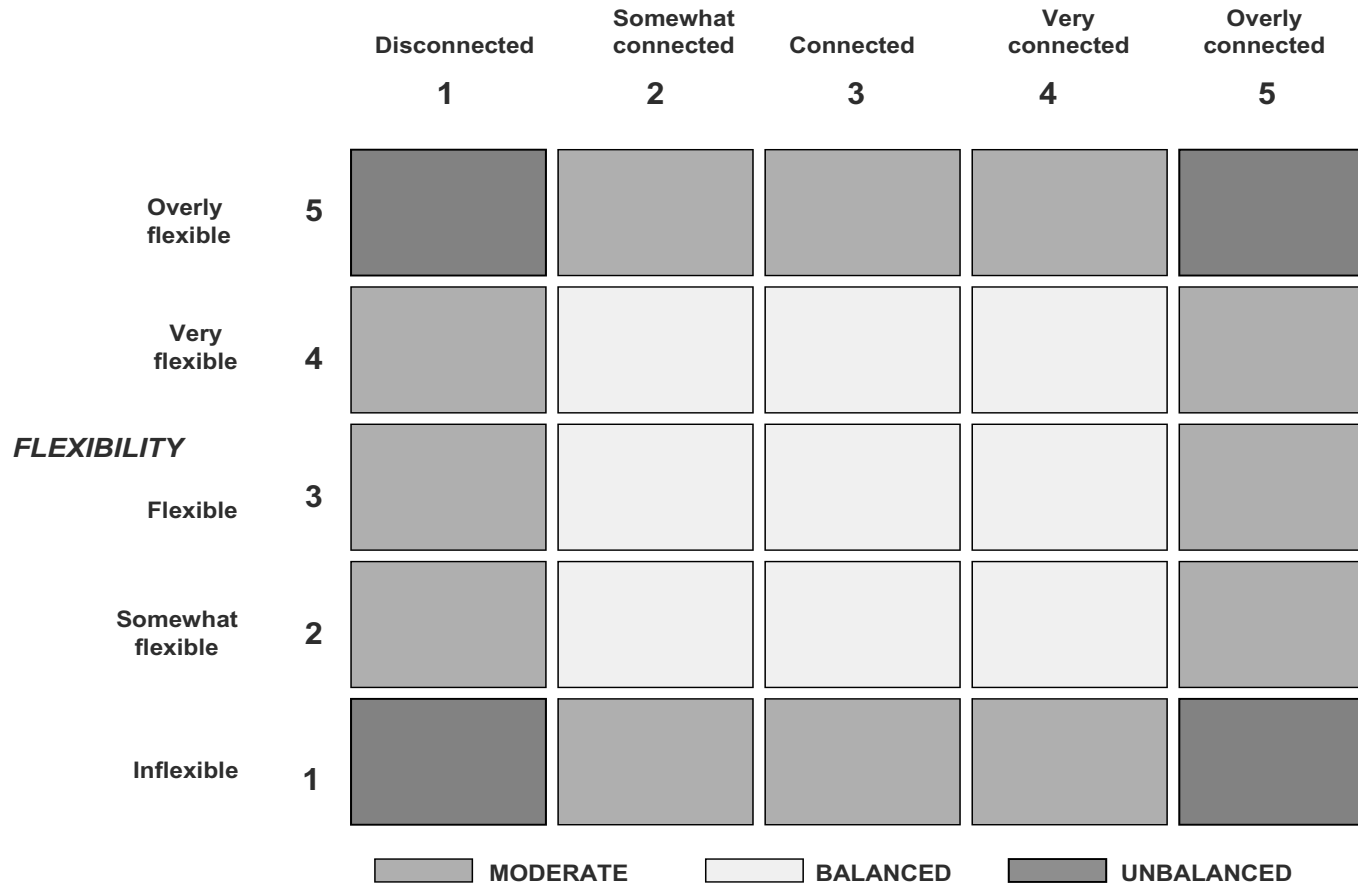




The **Circumplex Model** suggests that balanced levels of cohesion and flexibility are most conducive to healthy family functioning. Conversely, unbalanced levels of cohesion and flexibility (very low or very high levels) are associated with problematic family functioning.



COHESION

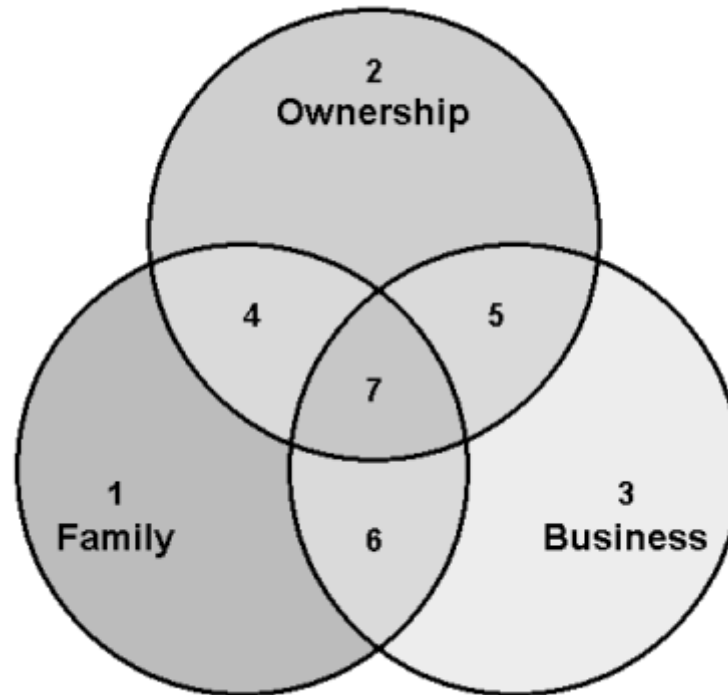


The Circumplex Model (David H. Olson, 1979)



The **Three-Circle Model** is a valuable graphic for recognizing the sources of interpersonal conflicts, differing priorities, and hidden agendas in the business family. Identifying different roles helps us recognize the interactions within the family business and makes it easier to see what is actually happening, and why.

Three Circle Model



Three-Circle Model, Renato Tagiuri and John A. Davis. "Bivalent Attributes of the Family Firm." 1982.



Any individual in, or associated with, a family business can be placed in one of the seven sectors that are formed by the overlapping circles.

1. Family members not involved in the business (*Chad*)
2. Non-family business owners
3. Non-family employees (*Will*)
4. Family owners not working in the business (*Letty*)
5. Non-family owners who work in the business
6. Family members who work in the business but are not owners (*Helen, Katherine & David*)
7. Family owners who work in the business (*Sol*)

JUNG'S FIVE EMOTIONS

- Mad
- Glad
- Sad
- Scared
- Ashamed

FOUR

- Money
- Mistakes
- Mortality
- Mothers-in-Law



Stepping Stones

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Step 5: Implementation of the action plan



Face-to-Face Chemistry Meeting

The Face-to-Face Chemistry Meeting is about creating an atmosphere of openness and safety by defining our ground rules of confidentiality, building a collaborative process, and directing energies at the problem – not at each other.



Assessment/Individual Interviews

Individual interviews are held with family members, key company employees and advisors. Each person has the opportunity to tell us his or her stories in confidence. Relevant information gathered during this step is compiled, analyzed, and presented at the Family Business Planning Meeting.



Vignettes of Individual Interviews

Sol	President
Letty	Shareholder
Kate	Sales & Marketing
David	Finance & Accounting
Helen	Human Resources
Chad	Kate's Husband
Will	Plant & Distribution



Overriding Concerns & Strategy

As a result of the information gathered during the individual interviews, the overriding concerns are money and mortality. One of the options this business family had not considered is the use of *key person insurance*.

Overriding Concern & Strategy (Cont'd)

Key person insurance was particularly important for the Brown Company because Sol had not prepared the company financially for his death or disability. Inclusion of a financial planner to demonstrate the benefits of such insurance will be an important part of the business succession planning process.



Key Person Insurance

Key person insurance provides cash to a business to assist with the costs incurred as a result of the death or disability of an owner. The business receives the proceeds to meet a variety of objectives, including:

- Cover the day-to-day costs of running the business
- Train or hire a replacement for the deceased or disabled owner
- Meet debt obligations of the business
- Redeem ownership interests from the owner's estate



Family Business Planning Meeting

Every meeting can be viewed as having two tracks: content and process.

The content of a meeting refers to the “*what*” – the subject matter that is discussed: the succession plan, family business conflict issues, etc. The process of the meeting refers to the “*how*” of the meeting: how people are communicating, how they treat each other or how they listen. To be effective, the meeting leader needs to attend to both the content and the process.



Family Business Planning Meeting (Cont'd)

The purpose of this meeting is to share assessment results, make recommendations, and collaborate with the business family to accomplish two goals:

- ⦿ Reach a common understanding of issues and concerns
- ⦿ Create an action plan to address the issues. The action plan is the blueprint for future growth for both family and business.



TRANSITION PLANNING – KEY ELEMENTS *

THE FOUNDER'S TRANSITION

1. Understanding the evolution of the founder's role
2. Deciding what life will be like after the business
3. Transferring power effectively

* Developed by Ernest Doud & Lee Hauser, Ph.D.



TRANSITION PLANNING – KEY ELEMENTS

THE FAMILY'S TRANSITION

1. Recognizing the rights/responsibilities that accompany the roles in which family members find themselves
2. Understanding family myths – the unspoken "laws" that affect the behavior of everyone in the family
3. Learning and practicing effective communication skills that all families need but few families have learned

TRANSITION PLANNING – KEY ELEMENTS

THE BUSINESS TRANSITION

1. Understanding the business life cycle
2. Developing effective and efficient operations
3. Crafting a new strategic vision



TRANSITION PLANNING – KEY ELEMENTS

THE MANAGEMENT TRANSITION

1. Recognizing that current management model will change
2. Clarifying options and opportunities
3. Becoming serious about developing the next generation of leaders and managers



TRANSITION PLANNING – KEY ELEMENTS

THE OWNERSHIP TRANSITION

1. Understanding the differences between "fair" and "equal"
2. Challenging assumptions upon which the company currently does business and considering all reasonable alternatives
3. Documenting decisions in writing



Successful Plan Implementation

1. Have a clear picture of business, family, and personal needs
2. Set reasonable goals
3. Establish realistic time lines to reach goals
4. Delegate responsibilities for action plan
5. Include a series of smaller family discussions
6. Address critical questions identified in action plan
7. Work together to successfully achieve goals
8. Plan periodic reviews during and after implementation
9. Evaluate progress, making necessary changes to action plan



Questions for Family Business Owners

- Do you have a problem in your family business, but not sure what it is?
- Are you experiencing challenges in balancing your work and personal life?
- Are family issues getting in the way of implementing a succession plan?
- If the leader of the company should die, or suddenly be incapacitated, does everyone know what do to?
- Is there one relationship in your business family that causes you the most concern?
- Do you recognize that understanding different communication styles can improve interactions?



To learn more about the services Stonebridge Connection provides to family businesses and the professionals who advise them, visit www.stonebridgeconnection.com.



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