

Continuity and Succession Planning

Family Enterprises

Your family has worked hard to establish a successful business. Now it's time to determine how you want your family legacy to be defined in 50 or 100 years. Our community of solvers will help you create meaningful, sustained outcomes for today and future generations.

How can a family business create a future legacy?

Continuity and succession planning involves identifying that desired future legacy and creating a plan to intentionally move toward that legacy. A solid continuity plan typically includes the following components:

Components of continuity plan

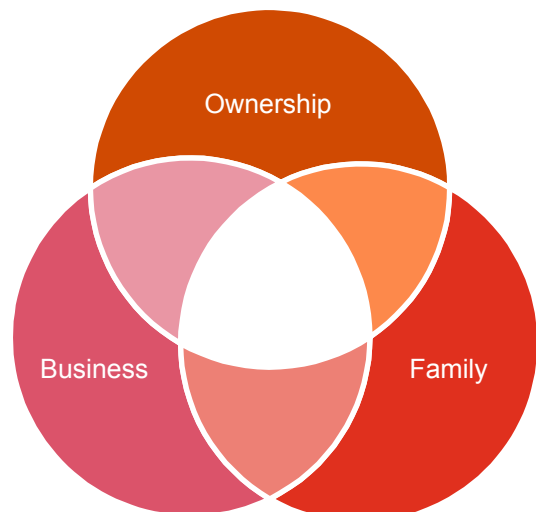


Balancing the three interconnected pieces

Family enterprises often have family members serving as owners of the business as well as managers. It is common for a family business to evolve from a single founder who makes all business decisions independently, to having multiple family members involved. In order to navigate transitions successfully family businesses requires the establishment of clear governance on both the corporate side and within the ownership group itself.

PwC recognizes the differing roles of family members—some own shares, some work in the business, some share ownership and some are from various generations. Growing families in business struggle with a variety of challenges, including defining when family members can work in the business, determining how profits are distributed or reinvested and deciding who serves on the board.

Continuity planning involves creating a strategic plan that addresses these challenges, along with how ownership is transferred across generations. Families can reduce tension by defining such plans before the challenges have become acute.



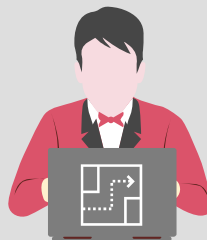
PwC's approach to continuity and succession planning



Prepare



Understand



Strategize



Implement

PwC's Family Enterprises team begins the continuity and succession process by working with you to understand:

- Who are the key stakeholders, in the family and the business?
- What is the family's near and long term vision?
- How does the family see its legacy?
- How will each stakeholder define success of this endeavor?
- What is the current decision-making system and what is needed for the future?



Once we understand these things, we are positioned to discuss and recommend alternatives that support the family's desired legacy.

What we deliver

The output from each continuity and succession engagement typically includes:

- Written family vision/legacy
- Family and business SWOT analysis
- Business leadership succession strategy
- Business ownership succession strategy
- Family and business governance approach
- Family employment policies
- Roles of non-family executives

Common components of good governance

Business

- Articles of incorporation
- Bylaws
- Company mission statement
- Strategic plan
- Board charter or mission statement
- Buy-sell agreements

Family

- Family vision and mission statement
- Code of conduct
- Family charter or constitution
- Strategic plan
- Family wealth strategy

Do we want the third generation in this business?

Client: Four siblings equally owning and running a second generation retail business.

Challenge: The relationship between the siblings **had** degraded. Each **was** unsure if they wanted to continue working in the business themselves, let alone invite the next generation into the enterprise. Voting shares **were** a contentious issue, as ownership is equally split while voting shares are solely held by the eldest sibling.

Approach: We worked with the family to create a charter, specifying their vision, history, values and code of conduct. We also established a business board of directors, including several non-family members, and created a more equitable means of handling voting shares.

Result: The siblings are having more fun in the business than ever before and recently acquired a new business line. The extended family is spending more time together. The next generation clearly understands the requirements for employment and are being exposed to aspects of the business.

Learn more at: www.pwc.com/us/familyenterprises



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