CEO & FAMILY ENTERPRISE CENTER

Advising family businesses and developing leaders

University of New Hampshire
Peter T. Paul College of Business and Economics
THE CENTER FOR FAMILY ENTERPRISE

CEO SPEAKER SERIES

CEO PEER GROUPS

EMERGING LEADERS PROGRAM
- FAMILY BUSINESSES ONLY
- MISSION: SUPPORTING GENERATIONAL OWNERSHIP TRANSFER
- MONTHLY HALF DAY PROGRAMMING WITH BREAKOUTS
- TOPICS BASED ON BUSINESS ISSUES UNIQUE TO FAMILY BUSINESSES
- FOCUS ON PEER TO PEER
FAMILY BUSINESSES AND THE ECONOMY

80-90% of Businesses in the United States

57% of the GDP annually

78% of new job creation

60% of the working population
NOT MAKING A DECISION IS IN ITSELF...MAKING A DECISION
BUILD YOUR BENCH
BOARD, ADVISORS & FAMILY
“Only 30% of family businesses have a Board; yet businesses that do have boards are at least 3X more likely to make it to the next generation...”
ADVISORS

Bank/Lender
CPA
Outsourced CFO
Corporate Attorney
Tax Attorney
Insurance Broker
Valuation Firm
Wealth Advisor
Even.....
Executive Coach
Family Business Consultants
FAMILY COUNCILS

“Culture, relationships, bonds and communication…all in one bucket.”

Multi-generational
Represents different branches of the family
Educational in purpose
Decision making entity for family matters
Can create family bonding events
Great breeding ground for future management leaders
“YOU NEVER REALLY OWN A PATEK PHILLIPPE, YOU MERELY TAKE CARE OF IT FOR THE NEXT GENERATION.”
Leadership

Running the Business as a..... Business
THE WONDERFUL COLLISION OF OWNERSHIP, FAMILY AND RUNNING A BUSINESS
# Role of Shareholders, Board and Management

**David Karofsky, Family Business Consulting Group**

<table>
<thead>
<tr>
<th>Role</th>
<th>Shareholder</th>
<th>Board</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership succession</td>
<td>P</td>
<td>C</td>
<td>C</td>
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<tr>
<td>Board Composition, election, comp</td>
<td>P</td>
<td>C</td>
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<tr>
<td>Company values/mission/vision</td>
<td>P</td>
<td>C</td>
<td>C</td>
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<tr>
<td>Family policy on employment</td>
<td>P</td>
<td>C</td>
<td>C</td>
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<tr>
<td>Senior management succession</td>
<td>C</td>
<td>P</td>
<td>C</td>
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<tr>
<td>Dividends/distributions</td>
<td>C</td>
<td>P</td>
<td>C</td>
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<tr>
<td>Business strategy</td>
<td>C</td>
<td>P</td>
<td>C</td>
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<td>CEO appointment/management</td>
<td>P</td>
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<td>C</td>
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<tr>
<td>Business performance</td>
<td>C</td>
<td>P</td>
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<td>Company culture</td>
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<td>Day to day operations</td>
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**P** = Primary responsibility  **C** = Contributing responsibility
WHAT MAKES SENSE FOR THE BUSINESS

ALIGNMENT POLICY
• 23% have a formal succession plan in place

• 40% of family-owned firms have the CEO retire, or exit, in the next ten years

• 30% of family businesses survive to the next generation

• 3-5% make it to the 4th generation
IT’S A MARATHON, NOT A SPRINT

- **Early Stage/Career** – Control the process, focus on growth and protect against the unexpected

- **Mid-Stage/Mid-Career** – Move through the complexities of growth
  - Maintain and modify early-stage arrangements
  - Adjust strategies to optimize growth
  - Concentrate on leadership development of potential successor managers
  - Consider structures to protect current owners while positioning to reduce future estate tax and other taxes
  - Make decisions on next stage ownership and leadership

- **Mature/Retirement** - Execute the plan (Hand over the baton!)

  - Attributed: Brad Melson, Orr & Reno
MANAGING RISK

Buy & Sell Agreements

• Sets the value, sets the clock, prepares for the ‘what if’s’, which are inevitable
• Dictates control over tough decisions when emotions are running high, as they usually are when a change is happening.

Key Man Insurance

• Based on the individual who provides the ideas, drive, initiative and skills which, in turn, generate the profits needed for the survival and growth of the business.

Contingency Plan

Estate Plan
THE MOST SUCCESSFUL FAMILY BUSINESSES ARE THOSE THAT TREAT THE BUSINESS AS AN ASSET.”
“So You’re in the Family Business…..A Guide to Sustainability”
• Paul & David Karofsky, The Transition Consulting Group

“Every Family’s Business: 12 Common Sense Questions to Preserve Your Wealth”
• Thomas Williams Dean Ph.d.

“Crucial Conversations: Tools for Talking When Stakes Are High.”
• Kerry Patterson, Joseph Grenny, Ron McMillian, Al Switzer

“L.L. Bean; The Making of an American Icon”
• Leon Gorham, Chairman, former President, and Grandson of L.L. Bean.”
HTTPS://PAULCOLLEGE.UNH.EDU/CEO-FAMILY-ENTERPRISE-CENTER
QUESTIONS?

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