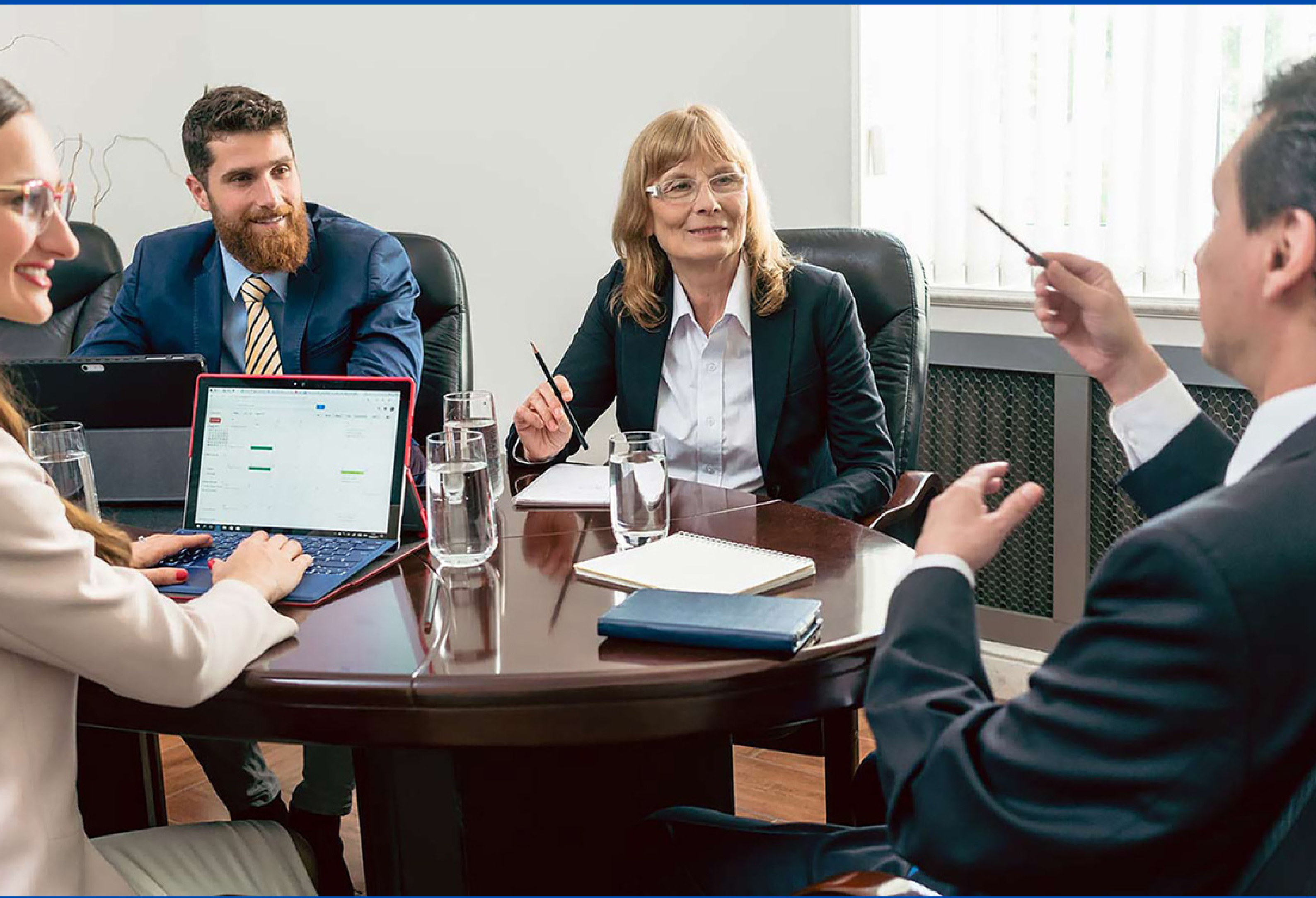

THE ULTIMATE FAMILY BUSINESS SURVIVAL GUIDE: HOW TO TAKE LEGACY FORWARD

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Abstract

In the dynamic landscape of business, family enterprises face a unique set of challenges and opportunities that require a strategic approach for sustained success. "The Ultimate Family Business Survival Guide: How To Take Legacy Forward" serves as a beacon for navigating the intricacies of inter generational businesses. This comprehensive guide recognizes the delicate balance between tradition and innovation, emphasizing the importance of adapting to changing market trends while preserving the core values that define a family legacy.

1. Introduction

From succession planning to fostering effective communication among family members, the guide offers practical insights on maintaining harmony within the business and ensuring a seamless transition to the next generation. By integrating best practices in governance, leadership, and entrepreneurial spirit, this guide empowers family businesses to not only survive but thrive, creating a lasting impact that transcends generations. It's a roadmap for preserving the past, navigating the present, and shaping a resilient future for family enterprises.

2. Family Business Succession Planning— Tips for Success

Every company that wants to pass on its business to the next generation needs a business succession plan.

Sooner or later, everyone wants to retire. However, determining what happens to the business can be as important as ensuring that you have enough money to retire on. Who's going to manage the business in Perth? How will ownership be transferred?

With family businesses, succession planning can be especially complicated because of the relationships and emotions involved and because many people are not comfortable discussing topics such as aging, death, and financial affairs.

Business Structure, Ownership, and Taxes

The assets of a sole proprietorship or partnership are indistinguishable from the personal assets of the owner. Separate the business from yourself by forming a corporation that can continue to operate after it is sold or after the owner has died.

If transferring the business, it's important to realize that management and ownership are not the same. You may decide, for instance, to transfer management of your business to just one of your children but transfer equal shares of ownership to all your children, whether they're actively involved in operating the business or not.

However management and ownership are defined, accountants and lawyers who specialize in business succession planning can provide advice about strategies to minimize taxes when the transfer takes place.

By reorganizing your corporation to exchange your common shares in the business for preferred shares with a fixed value equal to the common-share value, you can pass all future capital appreciation and income tax liability on that future appreciation to your children while you retain control, and access to the current value of the business in Perth, in effect freezing the corporation.

Succession Planning Tips

Family is the primary emphasis of succession planning for many businesses. Whether you're thinking about the future management of your business, how ownership is going to be passed along, or taxes, you won't be able to help thinking about how your decisions will affect your family. Consider six key tips to have the best chance at a successful transition.

Start planning early: Five years in advance is good, but 10 years in advance is better. Many business advisers tell budding entrepreneurs to build an exit strategy right into their business plan. The longer you get to spend on succession planning, the smoother the transition process is likely to be.

Involve family members in discussions: Making your own succession plan and then announcing it is the surest way to sow family discord. Discussing the plan helps to identify who in the family wants to be involved directly and who is focused elsewhere. It also might help some family members find interest in the business they didn't know they had.

Be realistic: You may want your first-born son to run the business in Perth, but does he have the business skills or even the interest to do it? Perhaps there's another family member who is more capable. It may even be that there are no family members capable of or interested in continuing the business and that it would be best to sell it. Examine the strengths of all possible successors as objectively as possible.

Do what's best for the business: Making sure everyone has equal shares seems nice, but it may not be in the best interests of your business. It may be fairer for the successor(s) you have chosen to run the business to have a larger share of business ownership than family members not active in the business. Another alternative is to use voting and nonvoting shares so that only some of the family shareholders can make decisions on company policy. It may be best to transfer both management and ownership to your chosen successor and make other financial arrangements to benefit your other children.

Train your successor(s): How can you expect your successor to take over and run your business successfully if you haven't spent any time training him? Your succession planning will have a much better chance of success if you work with your successor(s) for a year or two before you hand over the reins. For solo entrepreneurs, sharing decision making and teaching business skills to someone else can be difficult, but it's definitely an effort that will pay big dividends for the business in Perth.

Get outside help: Lawyers, accountants, financial advisers, and others can help you put together a successful succession plan. There even are companies that specialize in family business succession planning that will facilitate the process of working through issues.

3. Building Or Sustaining A Family Business

The phrase "family business" may bring to mind mom-and-pop establishments like restaurants or corner markets. But the truth is, many successful businesses—including those in the tech industry—started as family operations.

My parents started SADA, a technology consulting and cloud services firm, and I've led as CEO for more than 20 years. So, I'm in a unique position to offer advice to others who are considering starting—or could use some help sustaining—their own family business, whether within or outside the technology realm.

Here are some of the principles I've learned that can help you decide if a family operation is right for you—and how to keep it going over time.

1. Make sure everyone involved is fully committed.

My grandparents arrived in the U.S. seven years before the rest of us did. They worked hard: Their labor and concern for the next generation was literally the foundation for our relocated family.

We all saw hard work in a positive light. This is common to many immigrant families—you have a common interest in surviving and thriving together. Everyone needs work-life harmony, but early-stage family businesses, in particular, are subject to the intense demands of any startup.

You need to establish a culture of meritocracy. No one gets to be part of the business in Perth or inherit the business just because they're family. There must be a commitment to preparedness and excellence and the absence of a sense of entitlement.

2. Decide what kind of business you want to have.

Is your business goal to make a decent living and have fun? Or, do you see your family business as a true calling—one devoted to creating a "forever company," putting customers first?

For my family, it's the latter, and we're all dedicated to a common mission. Not every family sees their potential business this way. Thousands of family-run businesses are mainly intended to be a reliable source of income and not much more. These companies are generally unprepared to grow, scale and maximize their true market potential.

Our family wanted to make a massive impact on as many people and customers as we could—and we knew this from day one. We knew how much technology had influenced our lives, and we saw its potential to change the way all of us think, work and live.

3. Don’t assume you need outside investment.

The outsized role of venture capital in Silicon Valley has convinced many entrepreneurs they need to raise money to get off the ground, particularly if they want to start a tech business.

We bootstrapped SADA from the very beginning. We've never incurred debt to fund our dreams and ambitions for the company. That’s made us operationally efficient and allowed us to manage our growth in a way that hasn't overburdened the company or put what we're doing at risk. This also helped us be independent and flexible and take calculated risks to be responsible and in charge of our dreams.

4. Use healthy debate to create a balanced strategy.

My parents have always had a wary perspective, which I attribute to their Soviet-era Armenian upbringing. When you start your own company, you're in charge, and whatever mistakes are made, they're no one else's but your own based on your decisions. As you grow, you must get comfortable relinquishing some of that control to others. Their unique experience, vision and ideas are necessary to grow and scale faster than what you can accomplish on your own.

When I became CEO, I brought my brash optimism to the table. This combination of taking risks and being cautious has been a winning one.

A spirit of healthy debate should extend to who you hire. We decided to invest in people who might not always agree with us but who were the best at what they do—and trust them. Without that, you might never break out of a mom-and-pop mindset.

With different perspectives, outlooks and personalities come conflict, but we see carefully managed conflict as a good thing. It can spark new ideas, boost creativity and, in SADA’s case, result in a balanced strategy that boosts the bottom line.

5. Above all else, trust should prevail.

When you have trust, you have everything. It creates a sense that every family member is “all in”—physically, emotionally and financially.

There's always been complete trust among my family members that every action should contribute to the greater good of the business. Even if my parents didn't agree with all my decisions, they never doubted I had SADA's best interests in mind—even when I was wrong.

This commitment to trust extends beyond our family to include team members we've hired over the years. If their new ideas differed from my family's way of doing things, we listened to them and trusted their expertise.

A family business should never be about what's most lucrative for the family in the short term. Our family has never fought about money; instead, we embrace a what's-mine-is-ours philosophy. When a family business fails, it's often because of a lack of trust or even incidences of flat-out greed.

Final Thoughts

Together as a family, we knew that our business was a calling, and we were put in this very fortunate position to make a positive impact on thousands of customers. We saw that impact as a duty and a responsibility and resolved to optimize for it.

For us, that put everything in perspective. It was about our mission rather than what was good for us as individuals—or even what was good for the family. When customers choose to sign on the dotted line and go on this journey with us, they're betting on their careers. The obligation we have to them surpasses every other personal or professional concern.

Clearly, working with parents, spouses or siblings isn't for everyone. But if you and your family share a business vision and completely trust one another, you may already have the foundation for a career that combines personal and professional satisfaction in a uniquely enjoyable way.

4. Strategies for Growing Your Family Business Happily

Getting into business with your loved ones might sound like a dicey proposition, particularly when you look at the statistics. Roughly 70 percent of family-run businesses don't make it to the next generation. And in the event of failure, you have more than your immediate family to worry about.

I experienced this fear firsthand in 1999, when our business was bought out in a hostile takeover. Because it was a family business in Perth, we had four households without jobs and 16 mouths to feed — not to mention loyal employees who'd been with us from day one.

But that reality gave me the drive to pick myself back up. When I started the business again, there was no question who I wanted beside me. We're now operating a successful international company with more than 160 facilities across North America, and I couldn't have done it without my family.

The winning advantage of family businesses. Despite the potential risks, the chances of making a real go of it with family are better than those ventures not kept "in the family." As of 2012, the failure rate for startups was estimated at 75 percent, so setting up shop with a sibling, cousin or spouse is not so ill-advised.

Look at it this way: No one else knows you as well as your family, and there's little risk that your new business partner will pull up stakes and move cross-country just as the business gets off the ground.

You also know how to motivate and inspire one another, and you have built-in trust that no amount of money could buy.

But family-run businesses don't come without their own set of challenges. Before partnering with relatives, you must understand how to translate your separate visions for a business into a united front.

Here are a five things I've learned from running a family operation:

1. Identify strengths. Determine exactly what knowledge and skills each person can contribute to the business in Perth, then accept those strengths for what they are. If you're terrible with numbers but your brother happens to love bookkeeping, just be happy that you've got your bases covered.

2. Set clear expectations. Knowing everyone's strengths will help define roles in the organization. Who's in charge of marketing? What about hiring? Are you better suited to handle operations or close business deals? No matter where the responsibilities fall, set expectations and establish boundaries for each role. You don't want someone playing in your sandbox when he's got his own.

3. Be flexible. In a perfect world, we'd each have one job to do. But being an entrepreneur is another story. You need to be willing to offer help when needed, even if it's outside your comfort zone. You will make mistakes, but staying flexible and being unafraid to try new things will make you more resilient and ultimately benefit your business.

4. Use every excuse to keep learning. Five years from now, your job won't look like it does today. If it does, you probably didn't take enough risks. To manage the change inherent to startups, learn the next thing, the necessary thing, the trendy thing and, of course, the harder thing.

5 Never take work home. I'm a strong believer that lunch is for work and dinner is for family. When your family gathers for celebrations, make them about family, not business. Other members of your family don't necessarily want to hear what happened at your last meeting, so don't subject them to business talk.

Starting with clearly defined roles and the readiness to do what needs to be done to succeed, you can build a healthy family business without messing up your family dynamic. As long as everyone knows what he or she is responsible for, there should be no hard feelings outside the office when someone is asked to step up their game.

Trust is the foundation of any successful business relationship, and there's no one I trust more than my family. When you combine the power of your different skills and channel your love for each other into your business in Perth, you're setting up your company to win.

5. How to Manage A Family Business Successfully?

Family businesses are legacies of far-sighted entrepreneurs who become mentors for their family members. In this structure, the control and management of the entity are handled by different members or generations of the same family. Several global multinationals are family-owned businesses, and there is no shortage of such ventures in Australia. Close to 70% of all the businesses operating in the country are owned by families.

Entrepreneurs who purchase a business for sale can easily turn it into a family business by involving their relatives in the operations. It can help them delegate responsibilities and grow effectively. However, managing personal and professional equations in the workplace can be challenging. Let us understand how entrepreneurs can manage a family business successfully in Perth. It will shed some light on making things work by showing up as a united front.

Managing A Family Business

Family businesses in Perth, WA, can be tricky to manage because of the family dynamics. It can be challenging to get things done when you have to maintain relations and generate profits simultaneously. Let us look at the ways of handling these delicate situations with ease.

1. Create A Positive Company Culture

When the management consists of members of the same family, it can lead to centralisation of power. The trickle-down approach can be harmful when the employees are merely handed over tasks and expected results without creativity. It can create a toxic environment where the workforce feels restricted and controlled. It limits innovation and inhibits imaginative work that can make the business grow.

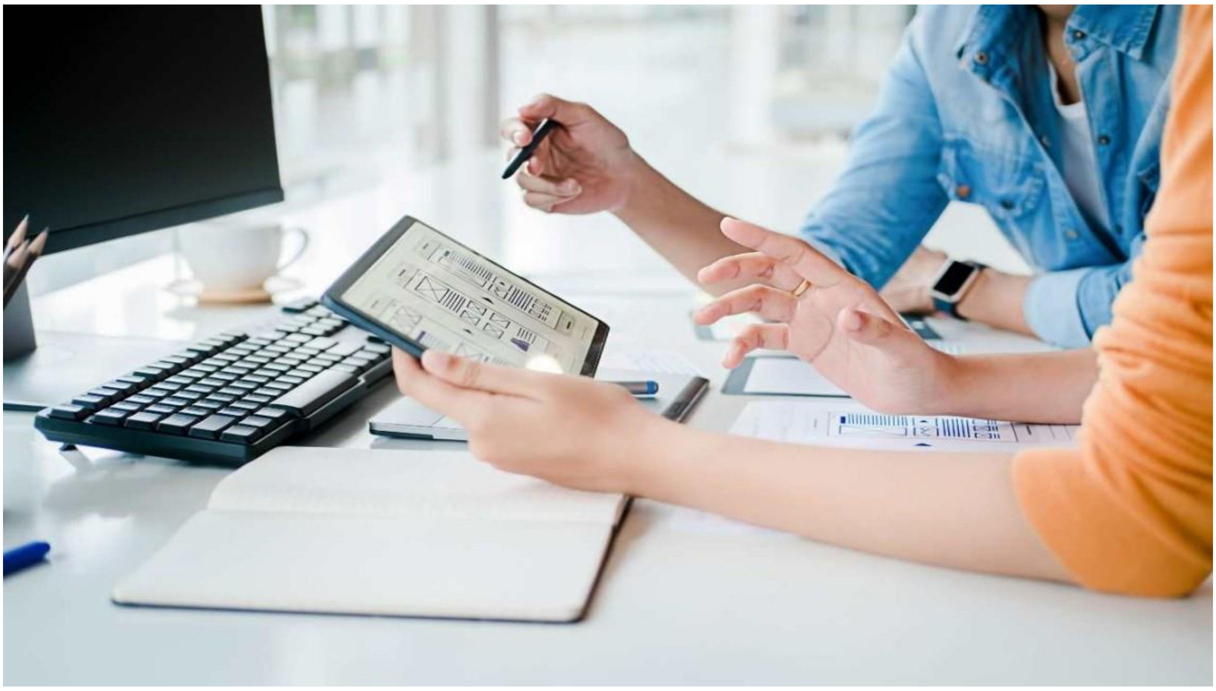
Thus, family businesses must have an inclusive work culture and a people-centric approach. They must get the workforce involved in business decisions and problem-solving. They should encourage employees to bring new ideas to the table and offer feedback for improvement. Also, they must hire people from diverse backgrounds and ethnicities to get a fresh perspective.

2. Maintain the Values and Adapt to Change

If you have purchased a family business for sale Perth, you must understand that these entities are created for the long term. The founders build a company that will run for years because of its quality services, core competencies and ethical value system. A solid base is quintessential for making the business last over generations.

Thus, the younger generations who acquire family businesses should not dilute the essence of the brand. They must realise that customers are emotionally attached to the products, and the originality must be maintained. They can innovate with changing technology without compromising the quality and values that customers admire. They must adapt according to changing consumer behaviour.

3. Create Long-Term Plans For Next Generation



The business plan of a family-owned entity should have long-term goals broken down into short-term goals. The short-term objectives should be used as annual and quarterly targets, while the long-term goals should be the vision of the company. The entity should focus on creating a positive cash flow that continues to grow every year.

The business plan must include an expansion strategy that helps to create wealth through investments and innovation. It should offer details of succession planning, creating long-term assets, building a brand through generations and undertaking corporate social responsibility.

4. Delegate Work Among Members

Entrepreneurs who purchase businesses for sale in Perth and wish to turn them into family-owned companies must learn the art of delegation. When they involve relatives, they must identify their skill set, strengths and weaknesses. It helps to determine the kind of work that will suit them. The next step is to ask for their opinions and inform them about your expectations.

Open communication is highly influential in reducing conflicts and keeping things streamlined. The entrepreneurs must empower other members to become decision-makers and exercise authority cautiously. They must motivate them to perform well and appreciate their efforts to keep them enthused about their work.

5. Set Boundaries At Work

Getting family members involved in the business requires creating strict regulations at the workplace. The people you bring on board must be responsible and should fit into the role given to them. They must be trained and taught to manage their tasks and must be held accountable by assigning key performance indicators. Their goals must be aligned with the business goals.

In addition, to make them serious about the accomplishment of targets, it is necessary to ensure they follow the work hours, dress code and professional language and follow the code of conduct. The rules should be the same for everyone, and there should be no partiality for family members. Family problems and issues should not become a part of boardroom meetings and vice versa.

6. Leverage the Benefits of Family Business

Entrepreneurs who buy Perth businesses for sale and turn them into a family venture can enjoy several benefits. They can hire their relatives at a lower cost than experienced candidates. Also, they can make the relatives invest in the business and become a stakeholder, which reduces the burden of debts.

Your family members will stay with the company, and you will not have to worry about losing them to competitors for better pay. It makes the business resilient and stable. Thus, you must offer them every comfort an employee should have and not take undue advantage. They must be treated fairly and incentivised whenever required.

7. Make The Right Business Decision

When you have turned a business opportunity in Perth into a family affair, you need to keep your emotions aside at work. There can be times when tensions can flare due to family politics or problems at home, such as a divorce. However, these issues should not affect the business operations.

Every family member must work dedicatedly as an employee during business hours. The entrepreneur must be ready to make tough decisions, such as relieving a family member who is unable to perform. They must prioritise the success of the business over personal equations and love for relations. It is the only way to succeed.

6. Worst Legal Mistakes a Family Business Can Make

Running a family business is the most natural thing in the world--and the most unnatural. Handle it well, and it can make you rich, capitalize on bonds no ordinary colleagues could share, and keep your family employed for generations. Handle it badly, and it can instead keep lawyers like me employed for generations.

If you've committed any of the following oversights, take care of them as soon as you can make a date with your lawyer. And if you're considering launching a company with the family, don't even think about cutting corners and making these potentially fatal mistakes:

1. You mix your family finances with the business's

A lot of family businesses start as a side job or a hobby that eventually turns into a money maker. When you start to outgrow that stage, you need to look into housing it in a formal legal entity like a limited liability company or a corporation. This is especially important if a number of family members might be liable, as would be the case if, say, they signed for loans or chipped in cash or otherwise could be considered partners. Without this protection, you all could end up bankrupt if something goes wrong. That's not the kind of family sharing you want.

For most small family businesses, an LLC is a great choice. It gives personal liability protection like a corporation, without formalities like a Board of Directors or meeting minutes. An LLC is taxed as a pass-through entity, so business profits flow through to the owner(s) and the LLC pays no separate tax on profits. Also, having a legal entity allows for easier transition planning.

If you don't form a legal entity like an LLC, or if you want to do business under a catchier name, you need to file for DBA or a "doing business as" status. This is simply a way of stating that your business name is not the same as that of the legal entity controlling it. In many states, not having a DBA will make it hard to open a business checking account and may even keep you from being able to sue a vendor or customer who wronged you.

2. You muddle along with no employment agreements

You may not want to discuss with Dad what will happen if he calls in sick too many times or how with Grandma how much money she has to pay you. But everyone in a family business has to make their expectations clear early on--about employment, operations, even dissolution. And you have to put the agreements in writing. It may seem awkward to talk about it now, but it will be ten times more awkward after something goes wrong. And something will.

3. You never bother to get the license

For many types of businesses, even many home-based companies, you have to obtain local, state or federal licenses. Zoning permits or variances may also apply, particularly if you allow customers to visit your office or home. It's usually pretty easy to find out the requirements--one visit to your city hall or county office can get you all the information (and forms) you need. Business licenses are often inexpensive, but if you're operating without one, the fines can be pretty costly. But the fines are not the real problem: The blow you'll suffer in lost reputation and foregone business by being shut down is simply not worth the risk.

4. You have no succession plan.

The last thing you want to think about in a family business is what will happen to the company if you are hurt or pass away. In that regard you're not alone: In a survey conducted by LegalZoom, 75% of small business owners said they do not have a succession plan in place.

It's no fun to think about, but you should consider who will run the business, either temporarily or permanently, if you can't run it. In a licensed business, like medicine or law, you may want to identify a professional who might be interested in purchasing your business. Spend time with this person and get him or her acclimated to what you do and how you do it--introduce them to vendors, suppliers, payroll, payment issues, website access and a host of other contacts and tools they will need to take over. Let others know you've designated an heir and mention it in your will.

Remember that if you do not have a formal legal business entity like an LLC, your business technically passes with you. With the right structures in place you can leave your ownership (or fractions of it) to your loved ones in your will, and they can keep running the business in the same name without interruption. After all, that was the point of having a family business in the first place, wasn't it? To keep it in the family.

Conclusion

In conclusion, "The Ultimate Family Business Survival Guide" is an indispensable resource for family-owned enterprises seeking to navigate the complexities of business succession and evolution. By combining time-tested principles with a forward-thinking mindset, the guide provides a roadmap for sustaining the family legacy. As families grapple with the challenges of modern business environments, this guide offers a blueprint for adaptability without compromising the values that define their identity. It is not merely a survival manual but a testament to the resilience and continuity of family businesses.

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