Continuity and Succession planning

Family Enterprise Advisory Services

Your family has worked hard to establish a successful business. Now it’s time to determine how you want the family legacy to be defined in 50 or 100 years.

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 plan typically includes a vision and then specifics on ownership and governance and whether family members are employed at the company or not.

Components of a continuity plan

1. Vision for family, business and wealth
2. Ownership of business
3. Business and family governance
4. Family employment
5. Philanthropic goals

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 the founder making all business decisions independently, to bringing in more family members and establishing more structure as the business grows and becomes more successful.

PwC recognizes the differing needs of family members – some own shares, some work in the business, some share ownership and some 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

PwC’s Family Enterprise Advisory Services 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?

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

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<thead>
<tr>
<th>Business</th>
<th>Family</th>
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<tbody>
<tr>
<td>Articles of incorporation</td>
<td>Family vision statement</td>
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<td>Bylaws</td>
<td>Code of conduct</td>
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<td>Company mission statement</td>
<td>Family charter or constitution</td>
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<td>Strategic plan</td>
<td>Strategic plan</td>
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<td>Board charter or mission statement</td>
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<td>Buy-sell agreements</td>
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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 has degraded. Each is unsure if they want to continue working in the business themselves, let alone invite the next generation into the enterprise. Voting shares are 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.

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