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Succession to the Throne: Louis Aldrovandi is a proud entrepreneur. More than thirty years after founding Liftking — a custom manufacturer of forklift and other heavy material handling equipment — he has built his business into a thriving \$30-million a year global concern.

His is perhaps the quintessential Canadian immigrant success story: Aldrovandi honed his skills in Italy after the Second World War, re-tooling left-behind U.S. army military equipment into much-needed tractors and other farm implements. From there he acted as project manager on construction sites in countries as diverse as Colombia and Canada.

Today, his Vaughan, Ontario company's products are used in steel mills, shipbuilding yards, construction sites and logging camps and by the military. More than 90 per cent of Liftking's revenues are from export. In one of those serendipitous and delicious ironies of life, one of Aldrovandi's largest customers is the U.S. military.

"Life has been good to me," says Aldrovandi, looking around his open concept offices and gesturing at the huge blown up pictures of Liftking's massive forklifts that line the walls. "It's been good for my family too, and will continue to do so through my son, Mark, who is general manager. He'll take over the company from me. It's all set up."

When he mentions his succession plan, Aldrovandi's chest puffs up just a little: He's the businessman whose hard work, vision and dedication has created Liftking, and now Liftking represents his legacy to his family.

Aldrovandi wants to ensure that Liftking remains a family business. In his particular circumstance, his son Mark, who has a diploma in business from Ryerson Polytechnical Institute (now Ryerson Polytechnic University) in Toronto, has been working in the business "since he was a kid. He started with the guys in welding and worked summers and over the years he's learned it all," explains Aldrovandi.

Although he has designated Mark to be his successor in running Liftking, Aldrovandi has arranged to pass on the business to both his offspring. His daughter Grace, who is a doctor living in the United States, will receive financial benefit from the business, although she does not want to actively work within it.

To put it succinctly, Aldrovandi has shown foresight by discussing the whole issue of succession with his children. He has groomed his designated child,

Mark, who, luckily, wants to continue dad's company, and his daughter is in agreement.

Succession is foremost concern for entrepreneurs

By planning ahead, way ahead, Aldrovandi has successfully side-stepped the kind of "corporate euthanasia" that afflicts so many family businesses, says Dr. Bakr Ibrahim, author of the book *Family Business Management: Concepts and Practice*.

Instead of watching the business complete a successful transition into a second generation-led enterprise, in a corporate euthanasia the founder watches the death of his company, ill-prepared as it is to tackle the challenges of succession without ongoing leadership and business decision-making continuity.

"For whatever reason, either because the founder doesn't want to think about retirement or because he or she is afraid of a family fight erupting over handing over the reins, any discussion of takeover gets put off," says Dr. Ibrahim, associate dean and director of the Centre for Small Business and Entrepreneurial Studies at Concordia University in Montreal. "Then one day daddy announces his imminent retirement and everyone asks 'what now?'"

This reticence on the part of the founder to plan for the company's future may be explained by the reality that so many family businesses are small and medium-sized companies, suggests Dr. Ibrahim.

Although family businesses such as those started by the Eaton, McCain or Bronfman families tend to make the news headlines, most family businesses in Canada are small and medium-sized.

As companies grow larger, they tend to go public, Dr. Ibrahim says, thereby diluting the family's share of ownership. Once a company goes public, key decisions such as succession are transformed from family discussions into outsider-driven, corporately structured issues discussed by the board of directors, shareholders and other stakeholders.

In contrast, privately held small and medium-sized companies that are family owned tend to have a much looser decision-making structure. When succession issues are under discussion, a typical scenario could still involve the founder and his or her offspring sitting down around a table, sometimes even the dining room table. There, while grandchildren play tag around the livingroom, decisions that will have an impact on generations are hashed out, sometimes very successfully.

On the other hand, if there is no "history" to these discussions — that is, no realization on the family's part that succession should be a long-term and continuous process that requires pre-planning — actual decisions may be left unmade in the face of high tempers and conflicting or dissenting opinions.

"As family members we all have the tendency to 'flight rather than fight' to avoid hurting each other's feelings," says Dr. Ibrahim. "As a result, no implementation plans are made, no communication with the key non-family decision makers who work in the company and who need to be reassured that there will be a place for them in the company after the founder retires."

Even a decision such as eventually selling the company if the offspring don't want it is put into abeyance. The company, intimates Dr. Ibrahim, is slipping steadily into quicksand.

Survey confirms succession planning is integral to next-generation survival

The idea that succession is high on the list of concerns among entrepreneurs is borne out by a recent family business survey conducted by chartered accounting/management consulting firm Grant Thornton.

"The survey is quite unique in that it looks, in part, at the attitudes of entrepreneurs toward a number of issues that affect family business," comments Don Emerson, a partner in the Toronto office of Grant Thornton. "So many studies deal with statistics. In contrast, with this survey we are trying to get a read on entrepreneurs' attitudes, what keeps them up at night." In other words, how entrepreneurs think and react.

"As we suspected from our relationships with family businesses, one of the findings made it clear that succession is an integral concern for owners of Canadian small and medium-sized companies," Emerson says. "Not only did respondents to the survey confirm succession as one of the top issues of importance to their business, more than half of them identified succession planning as the most difficult challenge they face."

"What the survey told us is that respondents designate succession — which we define at our firm as 'transfer of leadership and ownership' — as really important and difficult to achieve," continues Emerson, who specializes in consulting for family businesses. "Succession planning is very multifaceted, with issues that can be divisive within a family structure. For example, the person who will take over the operation of the business [exert day-to-day leadership and effectively 'run the

show'] may not be the same person who has ownership of the company." Or it could be a combination of the two.

"To really understand how entrepreneurs view succession planning, compare it with a challenge such as strategic planning," adds Emerson. "Entrepreneurs know that strategic planning is difficult, but they feel they know how to proceed. When it comes to planning for succession, however, there are often two cross purposes going on. [Firstly,] the entrepreneur doesn't know how to proceed and secondly, he or she is worried about causing family conflict. In reality, while all sorts of other issues get handled at meetings and strategy sessions, the issue of succession gets put on the back burner."

Consequently the years go by, says Emerson, with little or no succession planning undertaken until the founder is just about ready to retire and head out to the golf course.

"At that point it becomes a scramble to find an heir apparent, whether it be a family member, key employee, or outsider management person brought into the company."

Emerson's message: It's never too early to start thinking about succession planning and implementing processes, given that one of the important motivators for entrepreneurs is keeping wealth within the family. Ironically, Emerson points out that one impediment to succession planning, if left until late in the day, may be the founder's own financial future. In an effort to build the business, the founder may not have taken enough money out of it to secure his or her own future needs. The effect is that the business is healthy, in contrast to the state of the founder's retirement fund.

"The founder has not built up enough wealth outside of the business, so now there's a real tug and pull about retirement and succession issues," he says. After retirement, the founder generation will be dependent on the continuing health of the company to maintain their lifestyle.

This can potentially put real stress on the family successor: If the son or daughter blows it what happens to mom and dad? Therefore, asserts Emerson, retirement and estate planning are also essential components of any long-term succession plans.

Form a family council

Joan Berta, national executive director of the Canadian Association of Family Enterprise (CAFE), agrees that it's very important to start the succession process early. She and Emerson both advocate starting the process when the founder is as young as 50.

"Mom and dad need to be talking with their teenagers about how proud they are about the family business, about the business' growth prospects and what its strengths and weaknesses are," expounds Berta. "If the founder wants his or her child to be interested in taking over the business at some point, it's important to give him or her a balanced view of it. The founder shouldn't just discuss negative aspects such as how tiresome some of the day's challenges were or how difficult a transaction that day might have been. Please! Tell them the joy along with the jolts."

Berta points out that a business need not be worth mega dollars for succession planning to become a priority. The continuity of a \$300,000 company, if it represents 75 per cent of a family's assets, is worth the effort to maintain.

"If I owned a family business and had interest in my offspring one day running the business, I would form a family council — when the children are teenagers — that meets regularly to talk about the current state of the business and its future. I'd involve, perhaps, a trained facilitator, who can help the family with really bringing issues to the forefront." Berta notes that CAFE will soon offer a course for training facilitators.

"One of the goals of the family council is to lessen, over time, the need for a facilitator," acknowledges Berta. "But in the beginning, having someone outside the family who is familiar with succession can be a real asset in assisting the family at focusing on real-life issues. The outside facilitator must create a safe environment to handle conflict, surprises, honesty."

"It may be in dad's and mom's head that their child take over the family business, but it may not be in the son's or daughter's heart," explains Berta. "For the business' sake, it's much better if the founder comes to terms, when his son or daughter is 18 or 19, with the fact that the child really does not want to run the family heating and plumbing business, that his or her intended goal in life is to be a lawyer, for example.

It is wise to leave room for a change of heart or mind." Berta brings to the forefront another layer in the succession repertoire: the offspring may not want a hands-on role in the company, but he or she may want ownership of it."

There's no off-the-rack solution for succession," agrees Emerson. "But by confronting the issues the business can forge ahead by being creative. A detailed succession plan is never written in stone, but does plan ahead and includes contingencies. It should address both succession leadership and succession ownership."

"If the founder's offspring do not have the skills or interest in operating the business, perhaps the plan should call for existing management to operate the business after the owner retires or for outside help to be brought in," he adds. This does not preclude continued family ownership, as represented in the next generation (grandchildren) or other relatives such as cousins. Yet Dr. Ibrahim, while optimistic about third generation involvement, does caution that the farther down the line the generations go, the greater the chance that the business will lose momentum as well as emotional ties to the mentorship and goals of the founder.

"There's the founder, then the second generation (offspring) and then the third generation (close cousins), what I call the 'portfolio' generation," explains Dr. Ibrahim, "[because] the business may no longer be close to the [third generation] owner or operator's heart but exists as a way to make a living. This is particularly true if this generation owns the business, but does not run it."

Ideally, as succession completes its course, the dreams and hopes for the business remain intact. Louis Aldrovandi, for example, is confident that his son Mark has much the same vision for the company as he does. Although Aldrovandi does not expect to suddenly decamp one day from active involvement — preferring a more gradual retirement — he is looking forward to Liftking's further expansion under Mark's leadership.

SIDEBAR: Down on the Farm

There's an extra twist to succession planning for farmers

Farmers, as small business people, face many of the same difficult issues as other entrepreneurs when it comes to succession planning.

But succession in a farming business can have an added dimension and, perchance, complexity, according to Carole Spooner, director of succession services for Meyers Norris Penny, a chartered accountancy and business advisory firm with offices throughout Western Canada. That's because many farmers have an emotional attachment to the land, which may well have been farmed for two or three preceding generations.

While it is unlikely that a small business person anywhere in Canada will feel a real attachment to the industrial unit in which his or her business operates, for farmers, their land — as an entity, a place to call home — must be factored into any succession process.

"When a farmer considers succession, based on their retirement, what he or she is probably thinking is succession of the operating side of the business, including assets such as farm machinery," explains Spooner.

What may not be included in the immediate succession plan — a plan that encompasses the time period in which mom and dad are still alive — is the land, says Edmonton-based Spooner. This is particularly true of the land on which the parents' home is located.

This is in sharp contrast to a small business person who operates a company from an industrial unit or series of units in a suburban landscape, notes Spooner. At the end of the day, whomever is involved in the family business, be it the founder or other members of the family, will go off to homes that can be miles away.

For the farmer, and often his immediate family, the reality is markedly different. "Not only is the farm the source of the family's income, the reality is that mom and dad and sometimes one or two of the kids may have homes on the property — everyone living within a couple miles of each other," says Spooner.

"To sell the land, let's say if the offspring don't want to actually run the farm, would be extremely disruptive to the everyday life of many members of the family."

Spooner, whose practice is pretty evenly split among farmers and other small business clients, also says that she often recommends that the farming land be owned personally and not by the farming corporation. That way, the farmer can arrange for an offspring to have ownership of the business, while other siblings can perhaps share ownership of the actual land. Spooner notes that creating a will that includes a plan for succession is very important.

Too often, she reflects, she gets a visit from mom, who has been left everything by her late husband. Now, six months later, mom, who has not been involved with the farming business, is left to decide which of her offspring will own and run the farm.

"This is the ultimate cop-out," remarks Spooner, especially since dad may have made promises to one or more of the children. "Entrepreneurs need to think of a succession plan that includes not only their retirement, but also the possibility of their death."

She is adamant that a well-executed will should form part of any succession planning, whatever the type of business. Yet the land itself, and the surviving spouse's domicile on it, do make succession planning in a farming business

somewhat unique and more complicated than other small business succession planning.

It is very important that plans are made, states Spooner. "Given the tools, most families, however intertwined the relationship, can come to terms with succession and ownership." Often times, she notes, it is the very reliance that these people have on each other that sees them through the decision-making process.