

Passing your business to next generation

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Statistics show there are more than 18 million family-owned businesses in the United States today. Naperville is home to many successful family-owned enterprises such as Russell Martin Carpets and Rugs.

Through the years, Russell Martin has thrived because the founders have the drive, vision and experience to make it a success. In 1978, when Dave and Rae Martin purchased the carpet-cleaning side of the business from Russell's Cleaners, they not only started a new venture, but they were also starting their family. Sam was born in 1977 and Kate was born in 1978. Today, their children have active roles within the company.

Owners who want their businesses to survive into the next generation must start succession planning early. A succession plan for a family-owned business is designed to lead to a smooth transition for the exiting business owner and the new owner, while maintaining the long-term viability of the business. But when a founder is solely focused on the present, he or she can fail to prepare the business for the future. That's why 65 percent of family-run businesses fail when the founder has a health emergency, retires or dies without an identified successor.

The first step toward successful succession planning is goal setting. Are you planning on keeping the business in the family or are you looking to sell the business? The Martins identified early that they wanted the business to remain in the family. If you decided to keep the business in the family, then communication and engagement of the next generation becomes critical.

The Martins took the steps necessary to make sure their business continued to thrive by including their children in the business from a young age. Both Sam and Kate recall early experiences of working at rolling out carpets for cleaning and helping with the business. Sam is a certified master carpet cleaner, a master installer and repairman. Kate works behind the scenes handling marketing and accounting. She is also a certified carpet cleaner and a VAST customer service specialist.

After the goals have been identified, the next step in the succession planning process is developing the strategy to meet both the business and family transition needs. What are the operating, financial and leadership needs of the company to ensure a successful transition and long-term viability? What are the family or shareholder issues that need to be addressed?

If succession planning starts years before retirement, business owners should work to build the successor's job skills with education, mentoring programs or job rotations. Once a successor or successors are chosen, there should be an adequate transition period until a retirement date is set.

Additionally, the Martins found that an informal board of directors made up of trusted advisers -- in their case their banker and longtime accountant, have provided the hand-holding and mentoring that have allowed Sam and Kate to become more comfortable in their growing responsibilities at the company.

The last step is helping the next generation understand what qualities set your business apart from the rest. Are there certain practices you follow with customers or employees? What are the integral qualities of your business reputation? Whatever your business fundamentals, put them into a plan for your successors.

The Martins understand their goals and have a strategy in place. While Dave and Rae are not looking to exit the company in the near future -- succession planning at Russell Martin Carpets and Rugs is on the right track because the Martins started early and put a plan in place. They also have passed on to their children the high-quality standards that set their company apart from the others -- attention to detail, premier customer service and the trusted advisers they will need in the future.

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