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Generational Transition Means Confronting Fears and Assumptions

Carolyn R. Rodenberg and Lance D. Woodbury

"I don't have plans for five years from now—even a year from now! When I come into the plant each morning, I figure out the plan for that day." This was the response of an active 65-year old owner of a multimillion-dollar business in the Midwest when asked by a trained facilitator about planning for the future of his business. For several years, his 40-year old daughter and 42-year old son, both in the business for more than 20 years, and the company's long-time accountant had been waiting for the owner-manager to talk about transitions. The family trusts and estate plan were in place, but the "who and how" of future business operations was a topic that was avoided.

The businessman's children and accountant had not pressed the subject because they knew it would be a difficult and emotion-charged conversation involving personal and family issues. They were avoiding the conflict, which is common in family or closely held businesses, but the fear of possible conflict often prevents planning. Avoiding transitional or succession planning, however, is an almost certain path to delayed conflict.

Initiation

Since the fear of conflict leads to silence on the part of family members, who is going to take the difficult first step? Although the CPA may also fear causing conflict by broaching the subject of succession planning, it is his or her responsibility, as the company's primary business consultant, to overcome such fears and encourage clients to begin the planning process. Such an approach should be objective with the focus on separating the past from the present and pointing the business toward the future.

CPAs are well aware of the potentially devastating impact of a lack of planning. It is a "live volcano"—a disaster waiting to happen. An unexpected death or disability often results in turning a business's management over to a relative or employee whose inexperience and indecision can be debilitating to the business.

Because the CPA usually has a close, trusted relationship with the client, she or he is in an excellent position to advance the entire planning process from the initial conversations through the plan preparation. To be effective, however, the CPA may need to be trained in facilitation first. Another option is to "partner" with a professional facilitator or mediator, with the CPA sitting on the "same side of the table" as the clients and advising them.

Looking to the future requires that people face their fears and assumptions. A CPA aware of the issues most commonly encountered can

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Carolyn R. Rodenberg and Lance D. Woodbury are mediators and facilitators with Kennedy and Coe, LLC, Wichita, Kansas. They each hold an MS in conflict analysis and resolution from George Mason University in Fairfax, Virginia. E-mail: woodbury@KCOE.com.

help clients identify the underlying issues that may be barriers to effective planning.

Common Fears and Assumptions

The most common fears that keep family business owners and managers from dealing with the future include:

- Loss of identity.
- Loss of control or power.
- Not being needed.
- Boredom.
- Death.
- Risk.
- Lack of future resources.
- Failure.

The first step in helping the client deal with the future is to address the subject, assuring him or her it is perfectly natural to be apprehensive when thinking about retirement or changing roles. The CPA may find it useful to remind the client that people in similar circumstances often experience fear of one or more of the issues listed above. Once people realize their fears are not unique, tension and anxiety abate.

To make reasonable and workable transition plans, it is also necessary to clarify the client's. Unexpressed assumptions—often mistaken—cause confusion when planning. Some assumptions, such as the following, are frequently wrong:

- Ownership transition and management transition are the same thing.
- Men and women work the same way.
- Loyalty and commitment mean the same thing to everyone.
- Only sons want to—or should—assume leadership roles.
- Family members can work without competitive compensation.
- The business will continue to operate as it has in the past.
- Only participating family members want to own business stock.
- Adult children want to keep the business going.
- Parents are still in control.
- The culture of the business will not change.

Discussions that confront fears and clarify assumptions about the transition generally lead to an understanding that good planning is required to preserve the business.

Collaboration

Although the CPA is a business adviser, he or she need not design the transition plan. In fact, as the facilitator, the CPA should ensure that the right people are involved—family members, whether or not they participate in the business, managers, key employees, and owners—and encourage open, honest communication. In a family business, planning needs to be a collaborative process involving all of them; the best and most lasting decisions are those created by the people directly involved.

Even though the interests of these groups often overlap, their individual concerns, assumptions, and expectations, as well as their personal and professional needs, need to be explored during the planning process. Excluding people can lead to greater misunderstanding and broken relationships, which only defeats the purpose of the planning. When adult children and their spouses are unable to share in the decisions that will affect their lives directly, an otherwise good plan may fail.

Interviewing

The next step for the CPA as facilitator is to confer with all parties individually on a confidential basis. Through such interviews, the CPA can get a picture of the role each individual plays in the family or the business. During the interviews, the CPA facilitator can help uncover underlying issues that need to be addressed by asking the following questions:

- What are your personal goals for the next 5, 10, or 15 years?
- Do your goals for the future include active participation in the business?
- What would you do differently?
- What is going best with the business at present?

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■ How are decisions made in the business?

■ How do family members get along and communicate with each other?

Facilitation

After the interviews, the issues needing discussion will be clear. A confidential family meeting should be held, on neutral grounds, if possible, not at the family home or business, the location of symbols—some invisible—of power, control, and parent-child relationships.

At the meeting, the CPA facilitator should disclose only authorized information and establish discussion guidelines that promote open and honest communication. The goal of the meeting is to have a balanced discussion as the parties search for common ground and to create a vision of the company's future and the family members' roles in this future. To reach this goal, the CPA facilitator encourages family members to discuss their hopes and expectations for themselves and the business. It is critical that older and younger generations "stand in the other's shoes" for a minute to understand each other's todays and tomorrows. During the discussions, the family members may be tempted to avoid conflict by ignoring or brushing aside sensitive issues. At this point, avoiding such issues will only lead to deeper conflict in the future. Using open-ended questions beginning with "How" and "Why" will encourage the parties to deal directly with information or subjects that seem unimportant, embarrassing, or confidential, but that relate to the transitional planning.

The CPA facilitator must be both self-aware and aware of others' feelings. It is important to take everything that occurs as relevant and work with differences that arise by asking individuals why they hold certain attitudes or opinions. The facilitator's primary task is to acknowledge and validate individual attitudes, opinions, and perceptions. Sometimes a simple "Uhmmm . . . " or nod of the head is all that is required.

Balancing the power of the various parties can best be accomplished by ensuring that each person has an opportunity to participate. It is appropriate at times to go around the table and ask what each person is thinking or feeling. The CPA facilitator can encourage less assertive individuals to participate by asking them to summarize or restate what has just been said.

To create a strong future for the business and further facilitate the discussion, the CPA facilitator may find that asking the following questions is beneficial:

■ What's the best thing that would happen if we didn't create this plan?

■ What's the worst thing that would happen if we don't find agreement here?

■ What are your hopes and dreams about this?

■ What will this lead to in three or five years time?

■ Imagine yourself in the future, say 10 years from now. What do you see?

■ How will your children or grandchildren see this?

The process outlined above is a good way for families to start talking to each other in a group setting, which often is a totally new experience. It also can develop greater trust among family members and strengthen relationships. When everyone begins to "own" the problem, the future can become clearer or at least a bit less threatening.

Once agreement is reached about the transition, the CPA can begin to create the proper documentation to assure that future. A well-thought-out generational transition plan does not guarantee success of the business, but lack of a plan does invite failure. ◆