

# Promoting Successful Ownership Transition

By Amy Schuman

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Successful ownership transitions require strong, knowledgeable shareholders. A cohesive, well-informed shareholder group is a tremendous competitive advantage for a family business. How can you best communicate, educate and involve next generation shareholders in their family business? How can you create enthusiasm among family members—all very busy with their own lives—for a business that may not be very attractive to them, for a whole host of reasons?

On the flip side, when shareholders clamor for involvement and education, what's the best way to take advantage of their interest? How can you best structure their exposure, and who will take the time and effort to make the experience a positive one? Around the world, families have wrestled with these questions and come up with wonderful, innovative answers. Here are some of the best ideas we've encountered recently, for your consideration and adaptation.

## Take Your Family Shareholder to Work Day

This idea was brainstormed by a 20+ year-old fourth-generation member of a nationally known publishing company. "We spend a lot of time and effort educating and involving employees' kids during Take Your Son or Daughter to Work Day. Why not make the same effort for our family shareholders, especially in the next generation?"

It's easy to adapt this concept for shareholders.

- Plan one day a year when shareholders can shadow employees in departments of interest. Ideally, family members can shadow other family members.
- Create fun, exciting and enticing experiences for the shareholders.
- Include a large, assembly-type gathering at some point during the day.
  - » Showcase key executives.
  - » Share innovative projects.
  - » Discuss competitors and customers.
  - » Present career opportunities
- Highlight the skills and knowledge most needed by the firm to fulfill its strategy.

The potential benefits of this approach go both ways, with owners having a short, enjoyable exposure to their business, and employees having a close, personal experience with otherwise distant owners.

## Shareholder Universities

Whether you're a small business with one location or a global player, you can benefit from regularly scheduled, well-organized shareholder education and information.

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It could be a monthly conference call, a quarterly financial update, a biannual site visit or an agenda item on the annual shareholder meeting. Consider adapting these proven approaches for your situation:

- Poll shareholders to determine subjects of greatest interest. Then establish a rolling 12-month education calendar with dates set well in advance.
- Plan the location, timing and structure carefully to maximize attendance. Consider a rotating meeting location to showcase important facilities or customers and to reach out to the greatest number of shareholders.
- Create a budget and expense guidelines to ensure a fair process. Pay to bring far-flung family shareholders together. Pay to bring experts to the meetings. Pay to create tasty meals, conducive settings and memorable team-building experiences. Some families even pay attendees a small stipend for their time, arguing that well-informed shareholders are a competitive advantage.
- Make use of existing company materials, such as the new employee orientation program, product training or customer communications.

One large third-generation family holds an annual Shareholder Education Week. They bring family members to corporate headquarters for a full week each summer. They combine team building, corporate presentations, financial education, owner goal-setting, site visits, customer and competitor updates, individual career assessment and counseling, and just plain fun. This approach has helped them meld a cohesive shareholder group—across two generations, multiple family branches and many time zones—that has stuck together during the boom and bust times in this company's cyclical industry.

## Some Dos and Don'ts of Shareholder Education

DO keep family members directly involved in all aspects of the education. Scheduling, funding, preparing and presenting programs should all include family members' direct participation.

Here's one example: A fourth-generation auto parts manufacturer in the Southwest needed to educate

a large next-generation group about the ownership structure. A complex network of trusts and real estate holdings, along with the core operating businesses, made the situation tough to understand. Even after several presentations, the G3s were still a bit uncertain as to who owned what. A member of the G4s worked with the company CFO to prepare a financial overview. Every third slide had a picture of a cool, fast car, selected by the young man. Whether it was a hot red Ferrari or an antique Austin, these cars provided laughter, mental relief and just sheer fun. Not only did the family gain a clearer understanding of their ownership structure, they left the presentation in high spirits; it was a meeting they'd never forget.

DON'T wait until the last minute. Provide plenty of notice for folks to fit this into their schedules. Plan the materials carefully, and invest care and resources into making the sessions polished and professional. Regularly evaluate and adjust the materials and approaches based on shareholder feedback.

DO create the expectation that shareholders will attend these sessions on a regular basis. Shareholder involvement and education should take place in a moderate, steady manner. Without a strategic, proactive approach, most families find themselves engaged in bursts of frenetic activity followed by years of inactivity. As with any kind of fitness, you know this doesn't lead to strength but to overuse of weak systems and, ultimately, to injury.

## Shareholder Communications

What is your employee communications budget? How does it compare with your shareholder communications budget? Many sophisticated, successful family businesses that communicate regularly and thoroughly with their employees lack the same type of organized approach to shareholder communications. There is no budget. There is no staff. And, most important, there is only the merest trickle of information flowing to shareholders on a regular basis.

In this digital age, it can be very easy to create communications vehicles to stay connected with family shareholders. Some of these include the following:

- Family website.

- Family newsletter (could be digital): Frequency is a key here. Even a monthly update with news of important company developments, people changes, family changes, etc. Consider having a next-generation editor who collects news from each branch or family member.
- Family Business One-pager: A one-page fact sheet for family shareholders, updated at least annually. This can include family, company and ownership overviews. It can list corporate locations, products

and special efforts. It is a cheat sheet: “Everything you need to know about the business you own but were afraid to ask.”

- Shareholder conference calls or video meetings online.

Many successful multi-generation family businesses have found that getting shareholders involved pays excellent dividends, benefiting both the family and the business.



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