

Some Thoughts on Grooming Your Successor • Wednesday, March 7, 2018 at 3:00 p.m.



Some Thoughts on Grooming Your Successor

An interactive presentation by
Ted Topping
President, Creative Insights Inc.
Wednesday, March 7, 2018 at 3:00 p.m.




www.tedtopping.com

A Manager's Journey

I did the work until I learned to manage.
I managed until I learned to lead.
I led until they learned to manage.
They managed until they learned to lead.
Then I retired.




www.tedtopping.com



Plan for the Future
By Mark Brock

"If you were to survey family business owners, including specialty retailers, the majority likely would say that their ideal vision for the future would be a family member continuing the business after their retirement. Unfortunately, the statistics are not encouraging of this vision, with only about 30% of small businesses transitioning to the next generation..."




www.tedtopping.com

- It is important to look for an exit strategy that fits both your personal and your business objectives
- Some of the options to consider when planning for your business succession are:
 - Transfer to a family member
 - Sell to a partner, management team or employees
 - Sell to a third party
- While pondering these alternatives, I realized that they all require the same three steps...




www.tedtopping.com

STEP ONE
2 months

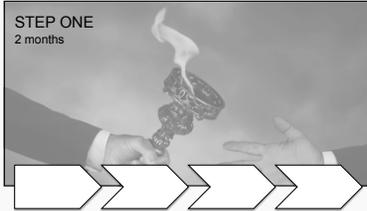
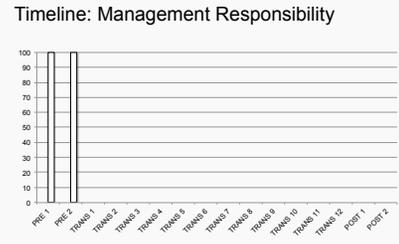


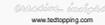
figure out what it is that you do




www.tedtopping.com

Timeline: Management Responsibility





www.tedtopping.com

- Many people spend their working lives as a "specialist," knowing essentially one thing and just about everything there is to know about it
- As a small-business owner today, it's tough to be a specialist and be successful
- Need to spend your working life as a "generalist," who knows an amazing amount about quite a number of things
- Your job will be something of a juggling act, as you head to work every morning and try to keep a large number of balls in the air




www.tedtopping.com





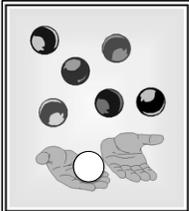
www.tedtopping.com

Being a juggler can make things difficult when you start to think about grooming your successor

Best to tackle things one at a time...




www.tedtopping.com



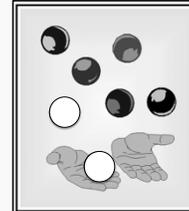
ball 1
the basics of
hearth retail

HPBExpo
www.tedtopping.com

the basics of hearth retail

- Understand how the many variables each affect net-profit
- Analyze our profit and loss statement
- Add value to the products in the store by adopting a best-service strategy
- Develop a strategic framework, including a unique secret weapon
- Identify, study the three most-important direct competitors
- Convey a strategic message through store location
- Convey a strategic message through store design, layout
- Convey a strategic message through media advertising

HPBExpo
www.tedtopping.com



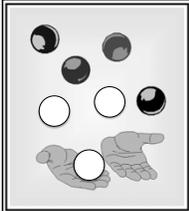
ball 2
merchandise
management

HPBExpo
www.tedtopping.com

merchandise management

- Group merchandise into departments, classifications
- Track customers' "votes" by tracking their purchases
- Learn from our customers what they want to buy
- Bring control to the business through four key operating ratios
- Use time-limited promotional markdowns to build sales
- Use regular markdowns to adjust the inventory to market value
- Increase credibility by using a seasonal markdown philosophy

HPBExpo
www.tedtopping.com



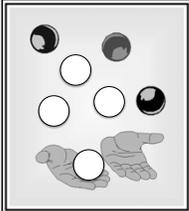
ball 3
buying

HPBExpo
www.tedtopping.com

buying

- View the products we buy through the eyes of our customers
- Build win-win relationships with our merchandise suppliers
- Understand that buying terms are often more important than price
- Implement a price-point discipline to offer a clearer presentation
- Forecast and create six-month merchandising plans
- Buy the right amount of merchandise with a "just in time" philosophy

HPBExpo
www.tedtopping.com



ball 4
human resources

HPBExpo
www.tedtopping.com

The soft stuff is really the hard stuff

If you don't do the so-called soft stuff exceptionally well, you will never achieve the potential payout in the hard-stuff category

HPBExpo
www.tedtopping.com

human resources

- Demonstrate through actions that people are our most-important asset
- Identify characteristics and qualifications needed to be in sales, installation, service
- Develop a written job description for each employee
- Hire following established guidelines to avoid common interviewing mistakes, evaluate candidates against the duties, characteristics and qualifications created above
- Set sales-per-hour and average-transaction objectives
- Create a win-win employment relationship using employee benefits

HPBExpo
www.tedtopping.com

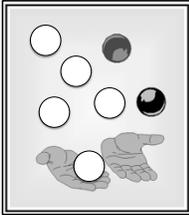
Some Thoughts on Grooming Your Successor • Wednesday, March 7, 2018 at 3:00 p.m.

human resources



HPB

www.tedtopping.com



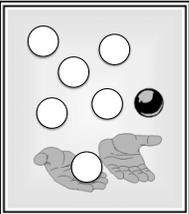
ball 5
sales
management

www.tedtopping.com

sales management

- Budget the wages and benefits we pay as a percentage of our sales
- Bring additional productivity to the store through four sales-management ratios
- Understand and use the apprenticeship method of staff training
- Providing "coaching" (ongoing guidance and additional training) for all employees
- Match goals and incentives to the need levels of your team members

www.tedtopping.com



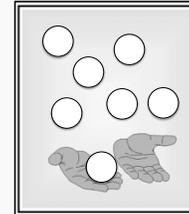
ball 6
technology

www.tedtopping.com

technology

- Embrace relevant trends in retail and Internet technology, and understand the potential of harnessing social media
- Understand our technology needs and budget the right amount each year to stay current
- Understand the many things that our integrated POS / merchandising / CRM package should do
- Confirm that we have the appropriate integrated package
- Keep our inventory, sales, profit and space in balance

www.tedtopping.com



ball 7
service and
installation

www.tedtopping.com

service and installation

- We talk about huge changes in technology, but these pale against the changes in customers we have seen over the past 35 years
- Manufacturers, wholesalers and retailers once held all the power in the marketplace: could basically design, manufacture, distribute, promote and sell whatever products they wished
- Customers had little choice but to buy on those terms
- Internet changed all that, bringing a new version of "power to the people"

www.tedtopping.com

service and installation

- Operate like an old-time retailer in terms of knowing our customers
- Compete with vending-machine retailers by adding significant value to every transaction
- Create a top-of-mind awareness by what happens within our four walls
- Provide extra-mile service that will truly amaze all of our customers
- Implement relationship marketing, direct communication
- Identify our 200 best customers and treat them accordingly

www.tedtopping.com

service and installation



HPB

www.tedtopping.com

Some Thoughts on Grooming Your Successor • Wednesday, March 7, 2018 at 3:00 p.m.

STEP TWO
12 months

transition one ball at a time

HPBExpo www.tedtopping.com

The Transition Process

- From the complete list of management tasks developed in STEP ONE, develop a master plan to transition these in a logical order
- Next, divide the master plan into 4 approximately equal three-month chunks
- Plan to work through these at a slow, steady pace
- Hold formal meetings at the end of each Quarter so you can assess progress, create a workable plan and goals for the following quarter

HPBExpo www.tedtopping.com

The Transition Process

- Schedule weekly training meetings and make these an absolute priority
- Each session should have three components:
 - > questions about what we discussed previously
 - > the agreed-on topic for this training meeting
 - > anything else about the transition

Outgoing: What does incoming still need to learn from me about this topic, and in what order?
Incoming: What does outgoing still need to teach me about this topic, and in what order?

HPBExpo www.tedtopping.com

The Transition Process

Adults learn new skills most effectively if they first “watch” and then “do”

The Apprenticeship Method of Staff Training

HPBExpo www.tedtopping.com

Apprenticeship Method of Staff Training

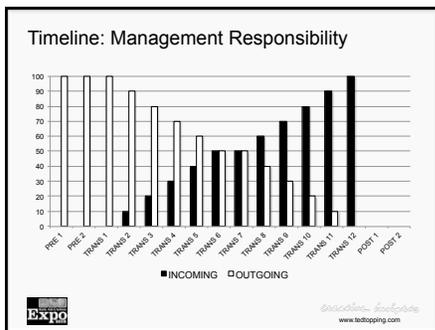
- A new employee (or current employee learning a new skill) is considered to be an “apprentice”
- Their job is not to do a given task initially, but to watch and learn from someone with experience
- Only after watching and learning for a time will the employee try some of the basic components of the complete task
- And only after mastering every one of the basic tasks will he or she attempt the complete task...

HPBExpo www.tedtopping.com

Apprenticeship Method of Staff Training

Always under the watchful eye of a “master” who can provide guidance and additional training

HPBExpo www.tedtopping.com



Words to the Wise

- Incoming may feel reasonably comfortable with some parts of the “job description,” but downright uncomfortable with other parts
- Challenge is to re-create the business around incoming’s strengths while drawing on the skills of other people to fill in around any weaknesses
- Good idea: Build a solid team that includes both employees and the other “partners” in the business

HPBExpo www.tedtopping.com

Words to the Wise

- No secrets, everything out in the open
- Introduction of incoming to all staff members ASAP with brief explanation of what’s happening
- Set a schedule for the transition and stick to it
- Remember that employees can only have one “boss” at a time
- Note: Direct reporting relationships are clear; indirect reporting relationships are confusing

HPBExpo www.tedtopping.com

Some Thoughts on Grooming Your Successor • Wednesday, March 7, 2018 at 3:00 p.m.

Words to the Wise

Transition is a "significant life event" and emotional issues will probably start to surface as outgoing works through the Stages of Grief

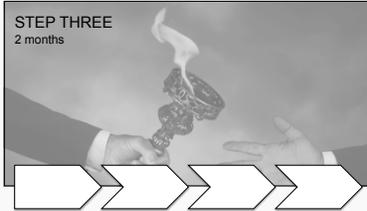
- Denial and isolation
- Anger
- Bargaining
- Depression
- Acceptance

Elisabeth Kübler-Ross




www.tedtopping.com

STEP THREE
2 months



set a firm date, make the change




www.tedtopping.com

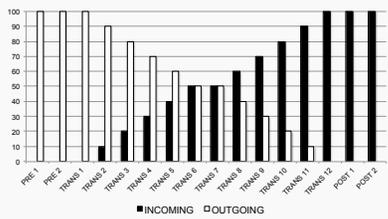
The Transition Process

- As incoming accepts the responsibility for juggling more and more balls, outgoing will inevitably have less and less to do
- This can be awkward and frustrating for an entrepreneur who is used to leading the way and making things happen
- After transition month 11, outgoing's role shifts totally to observing, advising and coaching




www.tedtopping.com

Timeline: Management Responsibility



Legend: ■ INCOMING □ OUTGOING




www.tedtopping.com

The Training, Coaching Link

- Adult learning is a process not an event
- No single discussion will somehow "train" incoming, at best it will only open the book
- Weekly training meetings will enhance awareness, provide a framework and a common language that let incoming learn and improve
- The primary responsibility for transition training rests with outgoing, the person who has already learned through experience and must now coach




www.tedtopping.com

Transition Advice From My Support Network

- The use of professional help is essential to the success of a small business, including its transfer
- Professionals provide knowledge, expertise in areas where you may have little experience
- Four professionals that you should always consult re. transition of ownership:
 - > Accountant
 - > Lawyer
 - > Banker
 - > Insurance broker




www.tedtopping.com

Transition Advice From My Support Network

- Establish clear but flexible timelines to help keep you on track
- Set milestones for achieving goals and objectives
- Review and modify your transition plan regularly as things can change quickly in real life
- Prepare a communication plan that updates your employees, suppliers and customers
- When the day comes: walk out the door, don't look back and enjoy your "retirement"




www.tedtopping.com

Retail Right Sessions at HPBExpo 2018

Build Your Business on the Vowels
Wednesday, March 7 at 11:00 am

Create an Amazing Showroom
Wednesday, March 7 at 1:45 pm

Treat Your Customers as Guests
Friday, March 9 at 11:00 am

These will also be available online
<https://www.nficertified.org>
Follow the link to "Continuing Education"




www.tedtopping.com

Thank you
Please keep in touch

tedtopping@telus.net
www.tedtopping.com




www.tedtopping.com

If you found this session worthwhile, you may want to investigate additional HPBExpo courses by Ted Topping

COURSE NUMBER	TITLE
3020	Best Way To Build Your Business
3034	Customer Service: The Underused Competitive Advantage
3069	It's Time To Start Rebuilding
4234	Innovative Ways To Market Your Business
4287	Practical Leadership Strategies
4289	Profit Through Productivity
4292	Selling Is Service and Service Is Selling
4293	Service and Customer Experience Inspired by Disney
4638	Practical Leadership for the Young Guns
4643	Harnessing the 4 Ps of Customer Service
4730	Marketing and Branding Lessons From Star Wars
4757	Innovative Ideas for Installation and Service
5646	30 Leadership Insights in 90 Minutes
5701	Making The Transition To Management
5702	Manage Your Time Instead Of Putting Out Fires
	Hiring and Retaining Exceptional Employees Printed or PDF manual plus online courses
	Professional Service is Profitable Printed or PDF manual plus online course

You can find these at:

<https://www.nficertified.org/product-category/hearth-online-training/>

Hearth & Home

November 2017



L to R: Tim and Ashley Newton, owners of Leader's Casual Furniture in Florida.
ABOVE Photo: ©2017 Dan Routh Photography. www.danrouth.com.

Plan for the Future

By Mark Brock

Transitioning the business to family members is challenging, but definitely achievable; here are some examples.

If you were to survey family business owners, including specialty retailers, the majority likely would say that their ideal vision for the future would be a family member continuing the business after their retirement. Unfortunately, the statistics are not encouraging of this vision, with only about 30% of small businesses transitioning to the next generation.

Factors behind this statistic are many. Children of the founder may have other career interests, having seen their parents work incredibly hard and sacrifice much for many years. Or the business owner may be trapped by the forces of delay and denial, neglecting to put a succession plan in place until it's too late.

There is, however, no need for despair. If a family business owner can step up to the challenges of open communications, grooming successors, gradually relinquishing control and accepting expert advice, then a successful transition within a family is certainly achievable. A family-owned business can become a legacy that grows and changes with each new generation.

Leader's Casual Furniture Succession Inspired by Culture

Tim Newton was a teenager when he began working for Leader's Casual Furniture in Florida, unwrapping furniture and assisting with deliveries. The company was founded in 1971 and his father, Jerry, joined the company in 1978 with an ownership interest. Jerry Newton became the sole owner in 1993 and, along with his wife Linda, led the company's expansion over many years.

Key Trade Shows and Events

HPBExpo

Exhibition: March 8 - 10, 2018

Education: March 7 - 9, 2018

Music City Center

Nashville, TN

(703) 522-0086

www.hpexpo.com

www.hpba.com

High Point Market: The World's Home for Home Furnishings (Spring 2018)

April 14 - 18, 2018

High Point Market

High Point, NC

(800) 874-6492

www.highpointmarket.org

[More Events »](#)

eNews

Sunbrella and Ballard Designs Launch Indoor Performance Upholstery Collection

Monday, February 19, 2018



In an exciting new debut, veteran home furnishings retailer Ballard Designs and performance textile leader...

[Continue](#)

Skytech CEO Christopher Flick Retires

Monday, February 19, 2018

Skytech Products Group announced today that the company's CEO, Christopher Flick, has retired as...

[Continue](#)

[More eNews »](#)

Reader Comments

Steve Pulone,
General Manager/VP Operations
of O'Malia's Living
Carmel, IN

Reasons for Reading *Hearth & Home*: "I get a good idea of what's happening with other retailers. It helps to know others are hitting the mark, or if they are trying new ways to get more dollars in the door."

“I was often at the store during my growing-up years and saw the sacrifices that my parents had to make to run the business,” Tim said. “Seeing how hard they had to work, I think I was turned off from working for the family business and headed to college with a double major in business management and mechanical engineering.”



L to R: Jerry and Linda Newton.

After four years of intense academic work, Tim decided to take a summer off and reached out to the sales director at Leader’s in 2001 to secure a full-time position in sales at one of the stores.

“At first, I really wasn’t very good, but I enjoyed helping people and I enjoyed the challenge of sales,” Tim said. “I eventually learned the system and worked up to being average. Because I was crazy enough to take the offer, and possibly because of nepotism, I was offered a management position in 2002 in the worst performing store in the company. At that same time, as fate would have it, I attended a seminar on selling based on open-ended questions, and I was hooked on that approach.”

Asking open-ended questions is a sales technique in which a salesperson develops a personal connection with a customer by asking questions that encourage a lively conversation and delve into the customer’s true wants and needs. Tim used this same technique in a second store assignment in which he led another turnaround in sales performance. At this point, his engagement in the family business was continuing to grow.

“After we successfully turned around the second store, I was offered a junior management position that focused on sales team training,” Tim said. “I wrote a training program and standard operating procedures that created more accountability. This is where I discovered my passion for trying to help others be successful. I am intrigued by the challenge of getting people engaged and learning despite any bad habits they might have developed.”

As Tim became more engrained in the company, he also discovered that the company’s direction was not in sync with the values of his family. He approached his father and together they began to transform Leader’s in fundamental ways for continued growth, exceptional customer service and a positive work environment for its team members.

During 2007-2008, Tim assumed the responsibilities of managing director and his father and mother retired from direct involvement in running the company in 2008. Jerry and Linda Newton remain majority owners, and Tim has had opportunity to earn ownership based on company performance.

Today, Leader’s is one of the Southeast’s largest casual furniture retailers and distributors, with 19 locations in the western region of Florida, along with a corporate office in St. Petersburg and a 150,000 sq. ft. warehouse. The company employs 170 people who share a culture focused on open communications, teamwork, accountability and performance-based compensation. Tim’s wife, Ashley, is responsible for purchasing and advertising.

“We communicate daily with our team members on how the business is doing and what we need to do to be successful working as a team with shared goals,” Tim said. “Our culture is based on empowering individuals and teams, recognizing outstanding performance and celebrating our successes together.”

Tim acknowledges that the leadership transition and the cultivation of a strong culture have not been easy, but the overall trajectory has been positive. Throughout this process, he’s gained insights that could be valuable to other specialty retailers in similar situations.

“You cannot force someone to be the right person to take a business forward,” he said. “For a family member to successfully take on the leadership of a business, they need to be focused on the teams and individuals who run the business. They cannot be enamored by their title or ownership status.”

“If you try to take over a business for prestige or selfish reasons it will be extremely difficult. In today’s environment you must be passionate about the success of the individuals and teams that make up your organization. Without their commitment and success it will be impossible to meet your family’s goals.”

Suggestion Box

We want to hear from you!

If you have a suggestion or comment about our website, we encourage you to fill out the form and let us know your thoughts.

[Click here](#) to login and submit your suggestion.



A successful business transition and transformation also requires a strong leadership team capable of taking a candid look at its own abilities and management styles.

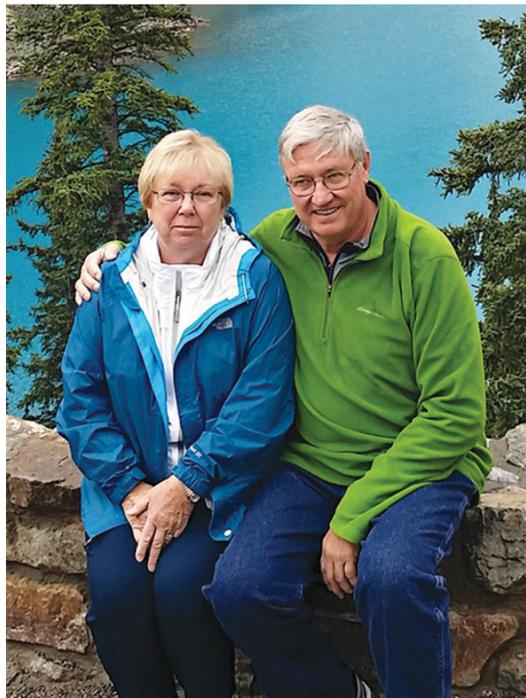
“There is no substitute for humility,” Tim said. “Learn all you can from those around you and the team that’s in place. Attend seminars and be active so you can make the most of the experience. Be simple, truthful and consistent. Give thanks and credit for accomplishments every day to team members who add value to the business and help it remain successful. And eliminate ‘I’ and ‘my’ from your vocabulary. It’s all about team, ‘we,’ ‘our’ and ‘us.’”

Best Fire Hearth & Patio Took Long View on Succession

Wayne Stritsman, founder of Best Fire Hearth & Patio in Albany and Troy, New York, took the long view in planning when he would step back from the business – 10 years, in fact.

“I was committed to seeing the ‘Best’ brand continue, but I knew that before I could sell the brand I had to make it attractive for someone to buy,” he said. “We did that by putting the right processes and the right people in place so that the business is profitable, and so that it can continue without my involvement.”

Stritsman’s commitment to the ‘Best’ brand is understandable given the nearly 40 years that he and his wife, Eunice, devoted to growing the business. It all began in 1977 while the couple was searching for a wood-burning stove. From that experience, they concluded that selling wood-burning stoves could be a good business, and they started operations from their garage. By 1982, the business had outgrown the garage and they moved to their first showroom location and became known as “Alternative Energy Systems.”



Eunice and Wayne Stritsman, founder of Best Fire Hearth & Patio in Albany and Troy, New York.

Over the years, the business added casual furniture and accessories to offset the seasonality of wood stoves and fireplaces, and continued to expand its retail and warehouse footprint. In 1998, the company rebranded itself “Best Fire Hearth & Patio” in recognition of the broader product offerings. Also expanding was the Stritsman family, which grew to include four children, two of whom – Lucas and Evan – joined the business following college and careers in high technology fields.

“My main objective in preparing to sell the business was to see the brand go on beyond me,” Stritsman said. “We had built a strong brand over many years with loyal customers and leading suppliers in hearth and patio products. Our company achieved 40 years in business, and I wanted to see it go to 50 years and beyond.”

Stritsman said he was open to any potential buyer that would continue the Best brand, whether an outsider or members of the family. As things turned out, sons Lucas and Evan stepped up to the challenge, and in 2015 the process began for a sale that would keep the business in the family.

“We approached the sale as strictly a business deal,” Stritsman said. “We were delighted that Lucas and Evan wanted to purchase the business, but it was first and foremost a business transaction that would assure continuation of the Best brand.”

As a condition of the sale, Stritsman required that his two sons create a partnership agreement that defined their working relationship, including provisions for how either of them could exit the partnership at some point in the future. Stritsman agreed to finance the purchase of his company and included stipulations similar to those that would accompany a bank loan, addressing such issues as future acquisitions. Lucas’ wife, Erika, serves as business manager at the Albany showroom, and Evan’s wife, Morgan, fulfills the role of designer/decorator for the retail stores.

“Communications throughout the process were very important,” Stritsman said. “We made sure that everyone in the family knew exactly what was going on.”

Stritsman and his sons also enlisted the assistance of outside professionals, including a management consultant, attorneys and their accounting firm. Input from these experts was



L to R: Evan and Lucas Stritsman.

essential to address legal, tax and estate issues.

“We also made sure that our employees were on board with the new owners, and it really helped that they had seen Lucas and Evan work in the business right alongside them,” Stritsman said. “Our consultants said they had never seen a buy-sell agreement go as smoothly as ours.”

As part of the transition of the company, Stritsman agreed to remain with the business for five years, serving as a project manager. His role is to transition relationships with customers, suppliers and industry trade groups, while also imparting his deep knowledge of the industry. He is also available for any special customer projects where his expertise adds value.

“They can apply me wherever they need me for special projects; I work for them now,” Stritsman said. “I am transitioning relationships with manufacturers of more than 40 years, along with my involvement in the Hearth, Patio & Barbecue Association (HPBA). I always said I wanted to back out of the business rather than drop out, and this is the approach we’re taking.”

Best Fire Hearth & Patio is continuing to thrive under Lucas and Evan, with a commitment to taking good care of their employees while continuing to expand through acquisitions. The company’s long-term planning for a transition and its focus on the needs of the business are reaping benefits for everyone involved.

“The biggest issue in the transition of a family-owned business is that many people just don’t plan for the future, and they let emotions get in the way of logic,” Stritsman said. “Keeping the Best brand in our family is the best of all outcomes, but we always focused first on the needs of our customers, our employees and our suppliers.”

Business Succession Expert Applauds Early Planning

Richard Myerson, president and CEO of The Myerson Agency, emphasizes the importance of advance planning as illustrated by Best Fire Hearth & Patio. Delay and denial, says the financial planning specialist, are the greatest obstacles for a small business owner in preparing for a successful transition within the family.

“The business owner is often paralyzed by fear to begin succession planning,” Myerson said. “The reasons for delay are several, but for some business owners, they can be all-encompassing, including the need to maintain control, unwillingness to trust or accept that anyone can do it as well as they can, uncertainty of the ability of the identified successor, no identified successor, relationships they have developed with customers and vendors they do not feel can be effectively transitioned, and the visceral fear of what they will do the day after they retire.”



Richard Myerson.

According to Myerson, there are six essential elements in a successful transition of a

family business within the family:

- Identify the successor. This is unquestionably the first requirement and often the most difficult. Sometimes family members in the business are not the best candidates to run the company after the founder's departure.
- Start conversations with other family members who may or may not be in the business, but have a vested interest, as to why you've selected the person to succeed you. Listen to their concerns.
- Identify the key management team to assist the successor. They will be critical to an effective transition.
- Create a plan to incent the key management team to stay with the company after the owner transitions. These are often referred to as "Golden Handcuff" strategies.
- Allow the successor to begin making management decisions while the founder is still around.
- Develop a post-retirement plan. This is critical to the exiting owner's happiness.

Myerson emphasizes the importance of communications within the family to help avoid conflicts that can not only disrupt the business, but destroy family relationships for a lifetime.

"For a family-owned business, succession planning can quickly get personal, which can become a huge issue," he said. "Proper communication with other family members is absolutely essential immediately after identifying the successor. Open and honest discussions regarding the transfer of the business, along with other assets, are key to avoiding family feuds that may be irreparable. Allocation of other assets, including the use of life insurance to equalize the transfer of wealth, should be considered.

"We strongly discourage transferring ownership of the business equally among all children while having one or more of them uninvolved in the business," he continued. "This approach invalidates the sweat equity contributed by family members who remain in the business and will do more for family disharmony than perhaps anything else."

Planning Experts Help Keep It in the Family

Leader's Casual Furniture is an excellent example of the benefits that result when a family business can be transitioned within the family. Not only do the hard work and sacrifices of the founders prepare a path for future generations, but the family's values continue to be reflected positively by an ongoing brand, which was a key motivator for Tim Newton.

Lee and Terry Resnick, partners in nationally-recognized Resnick Associates, specializing in business succession, estate planning, due diligence and life insurance implementation, agree that transition within the family is the ideal solution and can be achieved despite complex tax and legal hurdles. Lee and Terry were guest speakers during this year's International Casual Furnishings Association (ICFA) conference.



Lee Resnick.

"Business owners are extremely busy and have tremendous responsibilities; we understand that," said Lee Resnick. "But we also know that owners of family businesses are dedicated to their families and to creating a legacy that lasts for future generations, while other types of business owners may want to create maximum value for a future sale to an outside buyer. This is where business succession and estate planning are crucial."

One of the most important tools for effective succession and estate planning is the use of life insurance as a tool to provide liquidity, according to Lee and Terry. Many family businesses have been forced into liquidation in order to pay estate taxes, while many others have been hobbled by debt needed to cover this liability. Not only can life insurance provide liquidity for estate taxes, but proceeds can also be used to provide for family members who are not working in the business, but who should be included in the proceeds of an estate.

"We cannot overemphasize the importance of life insurance in business succession and estate planning," said Terry Resnick. "Unfortunately, many people view life insurance as pretty simple, which it is not when it comes to estates and business succession. It's

important to recognize that the application of life insurance in estate planning is a unique science when it comes to the design and ownership of these policies. We have seen mistakes that cost families millions of dollars because the life insurance was done incorrectly.”

According to the Resnicks, when creating business succession and estate plans, a business owner should involve a team of advisors, including attorneys, accountants, valuation experts and liquidity specialists. Given the complexity of business succession and estate planning, including tax liabilities, it’s important to tap into the expertise of specialists.

“Business succession and estate planning are highly technical endeavors, which is why business owners will be well served to include specialists in the process,” Terry said. “There is an expense involved, but the alternative of ‘saving money’ by not doing the proper planning can put the family and the business at significant risk with the possibility of losing the business as well as other assets.”

After an initial business succession and estate plan is complete, many business owners make the mistake of letting plans sit unattended for many years while the business and family situation changes.

“Business succession and estate plans should be reviewed at least once a year and at any time there is a significant change in the family, business or tax law,” Lee said. “Even if the plan doesn’t require any changes year-to-year, it’s an important exercise to remind the business owner of the details of the plan.”

Swanson’s Focused on Needs of Family and Business

One of the greatest challenges for a family business is to balance the needs of the family with the needs of the business as the founders grow older. J.C. Swanson’s Fireplace and Patio Shop of Edmond, Oklahoma, is a good example of how both family and business needs can be met when everyone involved works together.



L to R: Mary Alice and J.C. Swanson.

J.C. and Mary Alice Swanson moved to Edmond, Oklahoma, in the late 1950s to attend what was then Central State

College. J.C. began working at the local furniture store while going to school, and after working his way up from helping with the deliveries to the sales floor, he and Mary Alice purchased the interior household furniture store in 1961. The Swansons had two children, Beverly and Al, who were often at the store, playing games or watching TV in what they called the “red carpet room” next to the store office.

“It was most important to my folks that my brother and I were with them as much as possible,” Beverly (now Hayden) said. “I suppose one could say, we were born and raised in the furniture business.”

While furniture was certainly in the DNA of the Swanson family, they took a break from the business in 1979 to pursue another passion – showing Arabian horses. Changing economic times in the mid-1980s, however, led J.C. and Mary Alice back into the furniture business, opening and operating a successful patio furniture store in Oklahoma City. Based on this success, they opened their own patio shop in 1994, J.C. Swanson’s Fireplace and Patio Shop, in the same location as their original business in Edmond.

Beverly joined the business in 1997 after having obtained a two-year degree in Business and working at a local doctor’s office for eight years. Her brother Al established his own business in oil and gas leasing, with an office in the J.C. Swanson building.

“You could say that we were truly a ‘mom and pop shop,’” Beverly recalled. “My father took care of the books and ordered furniture the old fashioned way, as he never once turned on a computer. My mother took care of all the decorating, and together they handled all of the deliveries themselves. Quite the team, they were.”

While brother Al focused on Oklahoma’s oil and gas markets, Beverly came under the tutelage of her father.

“When I came on board, Dad, the natural born salesman and character for sure, showed me the ropes by example,” she said. “I would follow him with my eyes and ears open and my mouth shut. After several years he allowed me to begin ordering all the furniture, and I found enjoyment not only in that and selling and developing friendships, but also in the receiving and handling of the freight. My mother and I found it such a great time together setting up the floor during and for the next season.”

As the years passed, it became evident that business succession and estate planning were needed. Having worked for many years with family-owned businesses in the oil and gas industry, Al had seen devastating results when families failed to plan ahead. The Swanson family enlisted the assistance of an estate attorney in 2015, resulting in the creation of a trust for business assets and plans in place for succession of the business.

“We are most grateful for having put those plans in place at that time because my father became ill with a diagnosis of widespread cancer last April (2016),” Beverly said. “After moving him and my mother, who is suffering with memory challenges, to our home for the good fight together as a family, he passed away in September (2016).”



Beverly Swanson (now Hayden), owner of J.C. Swanson's Fireplace and Patio Shop of Edmond, Oklahoma.

Everyone in the family – Beverly, her husband, Bob, brother Al, and close family friend, Angela Wilson – assisted in the care of her parents. The succession and estate plans put into place during 2015 offered assurances that the assets that J.C. and Mary Alice had worked so hard to accumulate would be preserved for the remaining Swanson family members. All energies could then be focused on the care of their aging parents.

“As many have said, ‘it takes a village’ when caring for infirmed parents or family members, and even more so when also operating a family’s small business,” Beverly said. “That was definitely true in our case. Many customers offered so much support to us, but the year could not have been overcome without the dedication of team member and second cousin, Joshua Ridgon, along with our customer service and sales representatives, especially those with whom I was in more consistent communication, Bill Brown, Rob Ball and Jay Zeitler. I could not be more grateful for each of them.

“The last piece of the transition puzzle for me was the successful balancing of the store’s books for the 2016 season,” Beverly said. “Just numbers they are, but many of them there were, and an accomplishment to overcome, nonetheless.”

Advance planning and dedication to continuing the family heritage have helped assure that many different elements have fallen smoothly into place.

“There have been many bittersweet moments, such as contacting credit managers for the new year’s early-buy anticipation monies, a favorite task of Dad’s to get the year started. We’ve also had a wonderful answer to prayer in our new team member, Jordan Karim.

“We here at J.C. Swanson’s Fireplace & Patio are carrying forward the hard work, dedication and fun that my parents set as examples for us to follow. We should all be so fortunate.”

Essentials for Keeping the Business in the Family

Specialists in family business succession planning agree on the following essentials for keeping the business in the family:

⇒ Identify the successors – Who within the family wants to continue the business and do they have the right stuff? The greatest mistake is forcing someone to take over the business when their interests and abilities are elsewhere.

⇒ Groom the successors – After you’ve identified the successor, then the process of grooming begins. They should start on the front-lines and work their way up to the management offices. No need to start out sweeping floors, but if other employees see the owner’s son or daughter breaking a sweat, all the better.

⇒ Get expert advice – It will be money well spent to assemble expert advisers for your business succession and estate plan. They should more than earn their fees in helping to keep taxes at a legal minimum and assuring all the “t’s” are crossed and the “i’s” dotted.

⇒ Be prepared to loosen the reins – Ideally, your successor should be smarter than you, but that doesn’t mean they will know what you know. Be a mentor and give your successor responsibilities steadily and let them make some mistakes. There’s no better learning tool.

⇒ It’s about the business – One of the great adages about family businesses is that the family exists to support the business, not the other way around. When it comes to succession planning, it’s a challenge to keep emotions out as much as possible. It’s a business transaction.

⇒ Over communicate – Everyone in the family needs to be brought into the communication loop on plans for succession of the business. Family disputes often arise when communications fail, which can result in failure of the succession plan.

⇒ Treating everyone equally – If one or two siblings take over the business, but others decide not to be involved, it will never work for everyone to share equally in the profits from the business. Life insurance is one avenue to create a more equal sharing of inheritance.

⇒ Life insurance – Experts agree that life insurance can play a central role in providing liquidity for an estate and succession plan. But, it’s not as simple as it may seem when it comes to the design and ownership of life insurance. Get expert advice.

⇒ No family members – If no family members are interested in continuing the business, then it may be time to seek out an alternative buyer, including employees or a competitor. Outside assistance should be central to this approach.

⇒ Prepare for your own retirement – Retirement is a huge transition, especially for “Type A” small business owners. Give careful and honest reflection to how you will spend your time enjoyably when you’re no longer running a business 24/7. You’ll be happier and so will your family.



More Stories in this Issue



Perspective: Stealing Creativity

It’s difficult, and wrong, to paint 1.4 billion people with the same brush.

[» Continue](#)



Stealing Creativity

By Lisa Readie Mayer

Are Chinese counterfeiters killing American creativity, and is Amazon complicit?

[» Continue](#)