Guest,

Welcome to:

Creating a Legacy Family Business

Presented by
Lighthouse Consulting Services, LLC

Featured Guest:
Ken Ude, Director
USC Marshall Family Business Program
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Host:
Dana Borowka, MA
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Discussion Outline

- The Importance of Family-Owned Businesses
- The USC Marshall Family Business Program
- Managing Your Hat Collection
- 4 Phases of a Successful Family-Owned Business
- Key Issues in Creating a Successful, Multi-Generational Family-Owned Businesses
Importance of Family Businesses

- 90% of all businesses in the USA are family-owned businesses
- Family-owned businesses represent 60% of the nation's jobs and 65% of the GDP
- Mortality rate is high for family-owned businesses;
  - 40% pass to Gen 2, then falls to ~ 12% to Gen 3 and 4% beyond
**USC Marshall Family Business Program**

- Mission:
  - To Create and Preserve Wealth by Increasing the Professionalism of the Business and the Effectiveness of the Family

- Guiding Principles:
  - Create a safe environment for sharing and learning
  - Provide world-class, and practical, resources

- Launching next month
  - [www.USCFamilyBusiness.com](http://www.USCFamilyBusiness.com)
Foundation for the Discussion

- Hats Off to You ~ 2
  - By Lee Hausner, PhD. And Ernie Doud
- There are ~ 13 hats in every family business
- You need to know what hat you're wearing
- 'No Hat = No Vote'

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The Family Business Hat Collection

<table>
<thead>
<tr>
<th>Business Hats</th>
<th>Family Hats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>Dad</td>
</tr>
<tr>
<td>Owner</td>
<td>Mom</td>
</tr>
<tr>
<td>CEO</td>
<td>Spouse</td>
</tr>
<tr>
<td>Manager</td>
<td>Son or Daughter</td>
</tr>
<tr>
<td>Non-management employee</td>
<td>Sibling</td>
</tr>
<tr>
<td>Director</td>
<td>In-Law</td>
</tr>
<tr>
<td></td>
<td>Aunt or Uncle</td>
</tr>
<tr>
<td></td>
<td>Cousin</td>
</tr>
</tbody>
</table>

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Each Hat Has a Role

- Rights
  - That come with each hat

- Responsibility
  - Associated with wearing the hat

- Accountability
  - That comes with the hat

No Hat = No Vote!
Phases of Growth of a Successful Multi-Generational Family Business

**Phase I: Start-Up**
- Avoid the Founder's Trap
- Prove the Business Model
- Hold on and Grow

**Phase II: Growth**
- Re-align Team & Execute
- Manage Growth
- Reinvest in the Business

**Phase III: Creating Wealth**
- Consistently Make Good Decisions
- Generating Cash
- Stability

**Phase IV: Managing Wealth**
- Family Office
- Realize & Preserve
- Create Opportunities for the ‘Next Gen’

**Creation of Value and Wealth**
4 Phases of Business Growth

- Start Up
  - Prove the business model and void the founder's trap

- Growth
  - Re-align the team, grow and reinvest in the business

- Creating Wealth
  - Consistently make good decisions and generate cash

- Managing Wealth
  - Realize and preserve wealth, create opportunities for the next generation
Understanding the Challenges in Creating a Successful Multi-Generational Family Business

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Understanding the Challenges

- Founder’s Transition
- Family’s Role
- Business Development and Evolution
- Management & Governance
- Ownership
- Wealth Management & Legacy
The Founder's Evolving Role

- **Start Up**
  - The Founder is the 'Doer' and 'Initiator'

- **Growth**
  - Founder transitions to a 'Builder' and 'Student'

- **Creating Wealth**
  - Founder becomes the 'Manager' and 'Teacher'

- **Managing Wealth**
  - Founder as 'Mentor' and 'Door Opener'

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Founder's Transition

- Realization that there is Life After Business
  - Preparing to transition
  - Preparing to retire
- Effective Transfer of Power
  - What role will you play?
- Financial Independence
  - Making sure that the Founder has enough
Choices of Transfer of Power

- Monarchs
  - Rule with an iron fist, until forced out

- Generals
  - Leave grudgingly, and usually under pressure

- Governors
  - Serve for a limited term

- Ambassadors
  - The ideal ~ planning their departure
Family's Role

- Goal:
  - To make your family's movements in search of balance purposeful rather than random!
- Value Differences
- Family Myths
- Communication Skills
- Manage Your Hat Collection
  - Know what hat you are wearing
  - No hat = No vote

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Business Development and Evolution

. The Business Life Cycle
. Operating Effectiveness and Efficiency
. Strategic Thinking
. Creating Sustainable Value
. Execution of the Plan
Management & Governance

. Who will run the business in the next generation?
. The Management Model Will Change
. Options and Opportunities
. Management Development

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Ownership Issues

- Who will control the business in the next generation?
- Challenge Assumptions
- 'Fair' May Not be 'Equal'
  - and 'equal' may not 'fair'
- Put It in Writing
  - Competent Owners + Informed Owners = Responsible Owners
Wealth Management & Legacy

- Topics for another day:
  - Planning for an Orderly Transition
  - Getting wealth out of the business and to the family
  - Continuity
  - Liquidity
  - Legacy

- Key question: how much to give the kids ~ when ~ and how
Thank you for attending
Creating a Legacy Family Business

Click Here to contact our Featured Guest directly.

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The Mobile Workforce – The Office of Tomorrow Today – How to Manage and Lead

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