

Passing the Torch in the Right Way

At Glen Eagle, our motto is “Faith, Family, Firm.” Not only do we consider our clients part of our family and realize that many of their dreams revolve around their own families, but we are also a family-owned company. I started Glen Eagle at my kitchen table when my four children were young, and from the beginning realized that there is no clear boundary between work and home life. Today two of my four adult children work at Glen Eagle, but this was not something that I encouraged or even planned for years ago. As I look back over what has worked for us as a family business, I believe that there are some ideas that may work for others.

We have many clients that are also family businesses and we often end up discussing the concerns and strategies that work for different families. Historically, only 30% of family businesses survive to the next generation, and of that 30%, only half of those survive to the third (Source: Forbes). From pressure to hire underqualified family members to high turnover of non-family employees to an overly informal or disorganized structure, family businesses face several challenges that threaten their success.

Beyond these struggles, though, there are many benefits of family businesses, such as a high commitment to the company, a longer-term outlook and a great sense of honesty and trust. Many of us don’t even realize the long list of successful companies that are family-owned, from Wawa to Comcast to Walmart. As business leaders how can we embrace these positives while actively minimizing the drawbacks?

There is no simple answer, especially as no two-family businesses are exactly alike. The following is a list of ideas that have worked for Glen Eagle and that I have seen work with some of our family business clients.

Genuine Interest

The most important question: is there genuine interest? Do you as the head of the business have interest in passing the business on to one or more of your children or other relatives versus other choices, such as selling the business to an employee or outsiders. AND does the person or persons that you are interested in passing the business to have a genuine desire to take over the business in the future. Too often, children feel pressured to take over a business that they have no interest in. The ability of your children to choose is essential. It is important not to assume either they do or do not want to be in the business. In my case, I assumed they did not want to be in the business and then two of my children each approached me and expressed a desire to be a part of the business.

Early Immersion

Whether you are considering a transition from the 1st to the 2nd generation or the 2nd to the 3rd generation, it is helpful to let children “grow up in the business.” Some people see this as a disadvantage and do not bring their children to the business and thus shield them from getting a real understanding of the work it takes to run a family business. In my case, my children often spent time with

me at Glen Eagle and, as my personality is if you are here you work, they gained hands on knowledge of the day to day work. Whether it was shredding papers and emptying trash cans when they were young or involving them in discussions regarding expanding to new offices when they were older, they were able to better compare their options and passions regarding what they wanted to do as they aged.

My daughter describes this process, “after spending years just filing and putting statements in alphabetical order, when we were finally old enough to sit at a desk and answer the phone, we saw that as a big deal. Watching my mom grow the business from the ground up as a kid definitely inspired an interest in me to build something of my own.”

We also viewed the family from a broad perspective and the company as a family project. Each summer at least one of my many nieces and nephews were working in the business. We joke that everyone in the family has worked with the firm at some point.

Are They Qualified?

Assuming the person has the desire, the next question is do they have the necessary skills and capabilities. Depending on your industry the qualifications will be different. In my case, I asked each of my children to get three degrees prior to joining Glen Eagle: an undergraduate degree, a graduate degree and a degree from what I like to call the school of hard knocks. To get this third degree, they had to work for other firms in our industry to gain experience, hands-on knowledge, and

independence. This also helped each enter the firm more successfully as the other employees could see their qualifications and benefit from the new ideas they brought with them. A family member's understanding that their employment is not a birthright and must be earned is essential.

How Will You Evaluate Your Children's Job Performance?

As with any employee it is important to define objective and define how you will measure success. With future leaders/owners it is important to find ways to let them grow into larger roles. In our case, we are looking to create an entrepreneurial mindset. In addition, to their day to day responsibilities each child took responsibility for building a business within our firm. For all practical purposes they run these businesses being responsible for everything from budgeting to operations to strategic planning. One child is building our corporate 401(k) business while the other has launched alooala, a life-planning service geared toward helping millennials to manage their finances and investing. As each child leads their own business within the company, they get to individually try ideas instead of constantly rubbing elbows with each other and taking orders from their mother.

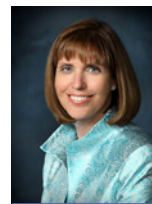
Succession Planning

The final, and perhaps the most dreaded component, is succession planning. Studies show that only 30% of small businesses have a succession plan. While many of us would rather not think about passing along the company that we've dedicated our lives to nurturing, think of succession planning as a way to ensure sustainable growth for your firm.

In 2015, I established a family advisory board with my husband and children so that they are directly involved with the company's strategic decision-making today. If I were to pass, not only does this ensure a clear plan for the future, but it also makes for an easier transition of ownership. Additionally, it's important to seek professional help from an outsider to give unbiased, honest guidance. In short, talk about the future of your business beyond your lifespan early and often, and be transparent.

In the end, every company—and family—is different. While working with family can bring

about friction or complications in the office or at the dinner table, the journey can also strengthen your relationships. Working with my children makes me proud; I think we've realized the values of each other's strengths and weaknesses. My other two sons, who don't work directly with Glen Eagle, are still involved from a family board perspective and are excited about the company. They are also happy that they are pursuing their own professional passions in life and, just as the



two children that are in the business, they each had the choice to choose their own path. ☺

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