

Murray Gottheil Discusses The Issues Surrounding Family Business Succession Planning

H: Host

MG: Murray Gottheil

ML: Michael Lobraico

H: Welcome back to In Business. Tonight's topic is: Business – Keeping it in the Family. Mom and/or Dad have worked for years building a business to pass on to their children. But the little brats don't appreciate it, or they have some sense of entitlement just because of DNA. On the panel tonight is Murray Gottheil. Murray is the Senior Partner of Pallett Valo's family business law group. Also with us is Michael Lobraico. Michael is the President of NCI Solutions Ltd. an executive coaching company in Brampton, specializing in coaching family businesses.

Our show is pre-taped tonight so we do not have a live portion; however, if you would like to ask our panel guests a question about family business, please note their contact information on the screen during the show and feel free to contact them directly.

Murray, Michael, welcome to the show and that's for coming in.

Family businesses have some really unique dynamics we've all seen. But one of the dynamics that I've seen is that the parents are always talking about, 'oh I'm working so hard, it's all for you.' Is this just a crock? Are they just workaholics and they're making up excuses for the kids, Murray?

MG: I think the parents of family businesses are working hard. I can think of one client in particular who I think is quite typical. This particular client gets to the factory at 5 in the morning, is there all day long, has brought the kids into the business from ages 3 or 4 years old in the factory helping, hammering nails in and they're still there at 50 years old. I think these people very often have worked very hard to create something and I don't think it's a crock.

H: So they really are building it for their children.

MG: I think they are, and very often these family business owners in my experience have been first generation Canadians and they really do have that solid mentality that says our kids are going to be better off than we are and we're going to build it for them.

H: Everybody wants that, we want something better for our children than what we did have. Another unique dynamic, Michael, what about when there's more than one family in the business. So now you've got two separate families in the business. It brings a whole other dynamic into the equation. What's your experience?

ML: It does, and it usually happens where there is siblings that have an idea and they get into a venture together. And as that venture grows it welcomes the next generation into that. So, that business ends up with 7 or 8 children or more of the next generation which are sort of silo'd because they are either with Family A or Family B, and where are we headed and what's happening with the shares, and everybody has different ideas and different rules and it becomes somewhat complicated as you move on in generations with multiple families. And it can't just be two it can be three or four depending on where that cycle ends.

H: It really does seem to be, and there's more emotion in family businesses, I mean this is more than a business.

MG: Absolutely, that's probably the biggest problem I see as a lawyer with family business. The problem is, that instead of decisions being made on a pure business basis, you get decisions based on who dad loved more. That is not the way to run a business, and that is probably to me the biggest problem with family business. The biggest challenge for family business is getting back to a business basis for decision making and planning.

H: So they are really more with the heart than the head.

MG: Very much. You talk about making the younger child the President of the company because the younger child happens to be more capable, and that's a problem for older child. In some other business you find a way to figure out who is more capable and hopefully that is who you appoint.

H: Now Michael, you were the local chapter President of CAFE, and the National President of CAFE, which is dedicated to family businesses. Help our viewers understand what CAFE is all about.

ML: So CAFE stands for the Canadian Association of Family Owned Enterprise. And it came about where some family owners understood that dealing within a family enterprise is different than a corporate enterprise. When you're having trouble with a bank, that's one thing. When you're having problems with an employee, you can get rid of that employee. It's all about the bottom line. It's not like that in a family business.

H: Tough to fire a family member, especially a son or daughter.

ML: Right. The salesman that's not making it happen is your son, your daughter, or brother, there are some difficulties there. When you have to go to the bank and ask for money and the bank is mom and dad, there are some difficulties there. There are some unique dynamics that come into family owned and operated businesses. So what CAFE has done is brought a venue that brings those families together, across the country, and gives them that opportunity to speak. I think one of the unique pieces is, when you finally meet someone else in a family business, you can't

