Hello. This is Wayne Rivers at The Family Business Institute. Thanks for tuning in. We'd love to have your comments below, and please check out our social media channels as well, and we appreciate that.

This week, I want to talk about how to sell your family business. And the question is, do you sell your business in a sequential way or should you sell your business in a parallel way? And I think we have the answer for you.

So, we'll get into definitions and all that. But, you know, we look at lots of family businesses around the US and Canada and most of them, first of all, never sell to outsiders. Some tiny, tiny fraction of family and small businesses are capable of being sold to a bigger company. It just happens so infrequently that I almost hate to hear people say, "I'm going to sell my business when I'm 65," because chances are good. There's a 95 percent chance it's not going to happen.

Most of the transactions in the family business universe are internal transactions. People either sell their businesses to their children or their insiders, their long-term employees, or some combination of those two. And whether they use an ESOP or whatever, it's still a transaction, it's still a sale.

So mom and dad wake up one day and they say, "Golly Moses, I'm 65. I've been doing this a long time. I'm really tired and my kids are 40 now and they're running most things. So let's, we want to get out. We want to retire." And the advisors go to work. Holy Moly. They do analysis, and valuation, and financial planning for the benefit for mom and dad to make sure that they are going to have enough money to be secure in retirement.

And they come up with a selling price that they think the young people ought to pay so that the senior people can get out. They write contracts and promissory notes, and charge dollars and all this stuff happens for six or nine months, and there's quite a frenzy around the planning. But if you think about it, it's done really sequentially.

We're going to put all our intellectual firepower in developing the transaction, setting up the transaction, doing our due diligence so there can be a transaction on such and such a date in the future. That's sequential. In other words, the sequence is, let's do this transaction and then you worry about running the business.

Now think about it for a minute. Mom and dad are selling to either insiders or family members or some combination of both. If the business doesn't run prosperously post transaction, what happens? Nothing. Nobody wins. I mean, they might have to shut the doors, they might have to shrink the company, they might have to lay off employees, mom and dad don't get that beautiful income stream that they were so inclined to get. You know, it's all about the transaction.

I think this is so foolhardy and I can't tell you how many dozens and dozens of times we've seen this over the years. So what should you do then? Should you go and sequence, let's do the transaction and then worry about the rest later? Or should you plan in parallel? So we've got a transaction happening in six months. What do I need to do to get ready? What do I need to know, as a young person, age 45 or whatever, to be able to run this business?

Well look, a lot of stuff has to go on. You need a strategic plan. You need to reorganize roles, responsibilities, and accountability. You need to figure out how you're going to make decisions in the absence of mom and dad. You also need to figure out what decisions do they still get to make because moms and dads never really give up the authority to make whatever decision they want to make at any given time, it seems.

So you've got to do financial modeling. Okay. If the advisors have come up with this big price to satisfy mom and dad's needs, how are we going to cash flow that? Because mom and dad operated with very little, if any, debt. Now all of a sudden, we as the new operators, we've got a few million dollars of debt on the balance sheet. Holy Moly.

So that presents a totally different financial model for what mom and dad were used to because they never had to worry about debt service. You've got a culture transformation. You've got a brain drain coming. And I'll tell you why, because when mom and dad begin to think about retiring, if you look around at the senior leaders in the business, guess what? They're all near the same age as mom and dad.

So when mom and dad get out, the controller gets out and maybe the general manager gets out. All this brain drain happens within a period of three to five years. So the best way to do it, if you're going to do a family business transaction to insiders or family members or some combination of both, you really need to do parallel planning because if the back half of that post transaction stuff doesn't go swimmingly, then everybody's got a big problem on their hands and nobody's going to end up happy at the end of the day.

Wayne Rivers on my soapbox again. We'd love to have your comments. Thank you.