

Hi. This is Wayne Rivers at The Family Business Institute. Thanks for tuning in. This week I want to talk about family business legacy. I got an email from a nice young woman. Let's just change her name to protect the innocent. Let's just say her name is Sara. Sara writes in with a question specific to her family business. Give me 30 seconds and I'll read it to you.

“Our parents have decided to give a bonus incentive to senior executive employees after they transition the business to us. The executive incentive - stay five years after the parents retire and the kids take over and they'll get big fat bonuses for doing so.”

Here's her question – “Who would the bonus contract be better coming from, the parents or the kids? It seems our parents want it to come from them for legacy purposes.” We'll come back to legacy. “But, I think it would be better from the kids to literally buy some good will and loyalty from the long time execs towards the new ownership, us, the kids. Your thoughts?”

Good question, right? I like this. It makes a lot of sense. My first response was don't you ever refer to yourselves in G2, generation 2, as the kids again. It's not demeaning. That's not the right word. It's diminishing. It diminishes who they are. They need to be on a peer basis in the business, with their parents and their key employees. They are not children anymore. Referring to the parents and the kids - that just infantilizes these young people and takes away from their gravitas as potential owners and leaders of this family business.

Never again refer to yourself as the kids. If you want a handle for that it's Generation 2, or next generation, or next gen or G2 for short, whichever. Never the kids. That was my first thing. I hope I didn't come on too strong with her and hurt her feelings about that.

There's so many wrong-headed things with what her parents are trying to do here. I don't mean to be critical of the senior generation or in favor of the junior generation, but it just strikes me, if the parents are so worried about their legacy that they want this executive bonus program to come from them, isn't their real legacy the ongoing continued success of the family business over time? Isn't that their real legacy?

We did email; Sara and I did email back and forth a little bit. It seems like her parents have been working on this program for two years in secret. That's the way she said it, “in secret.” No input from generation 2 whatsoever. When generation 2, Sara, said to the parents, “Shouldn't this come from us because we do want to take care of our employees,” dad stopped her and said, “Hey, don't you mean my employees?”

Oh My Gosh! That just made my head explode that he would be so patriarchal and so, basically, selfish. I mean why are they not our employees? Why do they have to be his employees? Is it all about him? That's a bad place to start from in any family business succession.

The second lack of input they had in this program, working behind closed doors, is they had no input from the key executives. If you're like me, I'm not the best gift giver in the world. If you're like me, you've been all excited

about giving your wife a Christmas present or a birthday present or something and she opens it up and you can see the look on her face. It's not that good of a gift.

Here these parents spending time and money with financial professionals and advisors putting together this plan they think is so elaborate, what makes them think that on Christmas morning these executives are going to open this bonus plan and actually like it? There might be 10 other things they'd like more, more time off, better morale in the company, moving to a new updated software system or getting into the 21<sup>st</sup> century in some other way. They didn't ask them.

We refer to this, when people do elaborate, strategic, high level estate plans or strategic plans, when they do that stuff without talking to their family members and their key executives, that is planning in a vacuum and it's stupid. It almost always produces suboptimal results.

The idea that this legacy comes from the first generation rather than the whole family or the entire ownership group or even G2, just upsets me so much. The legacy ought to be the success of the business over time. If dad thinks of it as his business and his employees, he's already setting it up so that it's all about him and it's not about everybody else. For the business to succeed beyond his working lifetime it's got to be about all the other people, the customers, the employees, the vendors and suppliers, everybody else. Until he takes himself out of that hero role and puts other people in first place that business is in peril.

That's my message this week. Your family business legacy is bigger than any one individual. Wayne Rivers at The Family Business Institute. Love to hear your comments about this one. Thank you.