



PARSONS
BEHLE &
LATIMER

Family Business Abundance

11/12/19







Status Quo





Stuck



Stuck



Stuck



Stuck



Stuck



Stuck



Stuck







Status Quo

What is at stake?





2





2





2







Great Tips for Helping You Find a Buyer for Your Business

 OCTOBER 5, 2019 BY MLOHBECK

No one keeps a business forever. At some point, you'll either want to sell your business or have to retire. When the time comes to sell, it is important to streamline the process, experience as little stress as possible and also receive top dollar. In Alejandro Cremades's recent Forbes magazine article, "How to Find a Buyer for Your Business," Cremades explores the most important steps business owners should take when looking to sell. Like so many things in life, finding a buyer for your business is about preparation. As Cremades notes, you should think about selling your business on the day you found your company. Creating a business but having no exit strategy is simply not a good idea, and it's certainly not a safe strategy either. Instead you should "build and plan to be acquired." For Cremades, it is vital to decide in the beginning if your preferred exit strategy is to be acquired. If you know from the beginning that you wish to be acquired, then you should build your ...

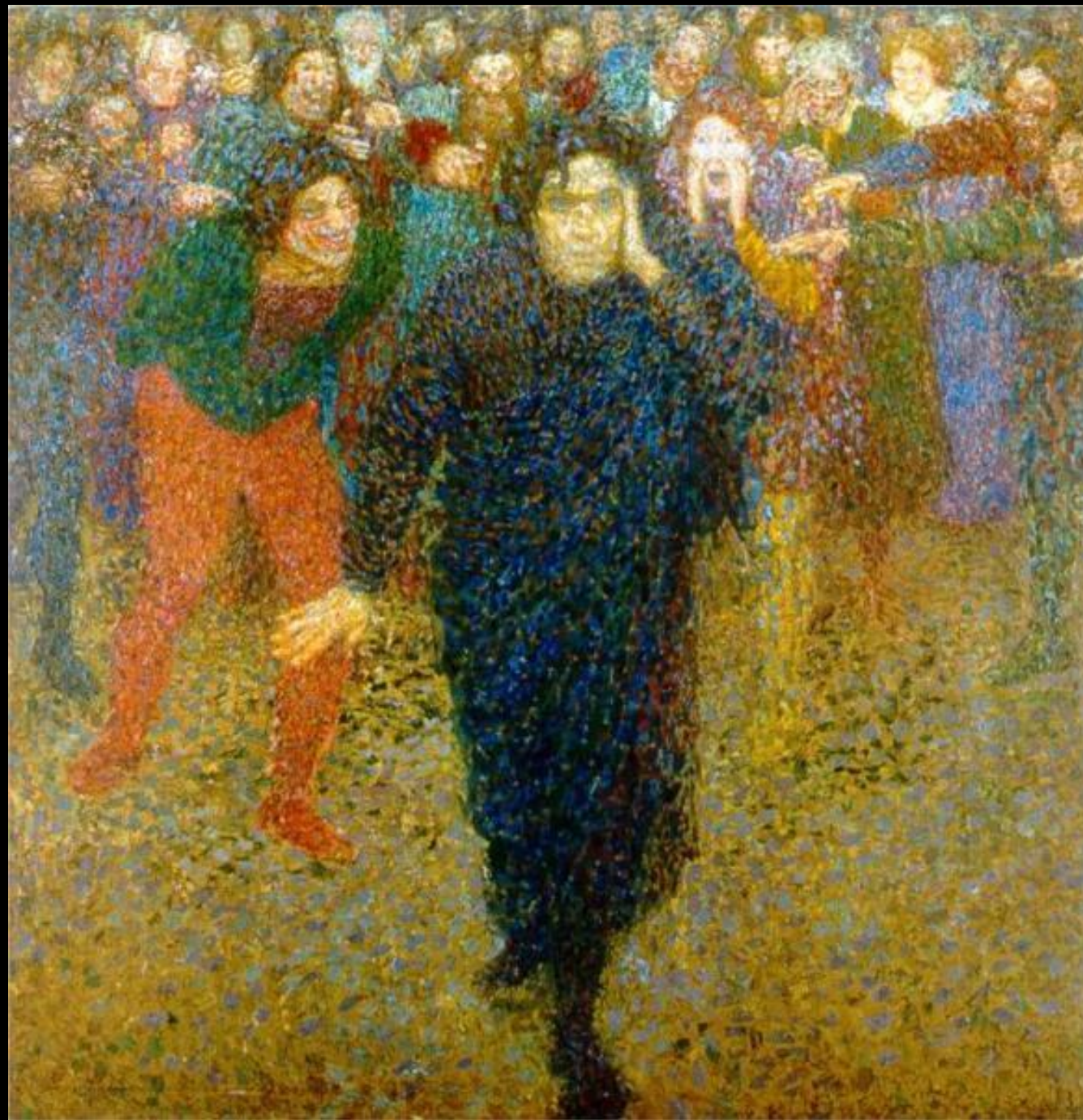
[\[Read more...\]](#)

What I Learned A World's Leading E My Startup

As entrepreneurs think and your partners must why you want to do that

We have access to many b



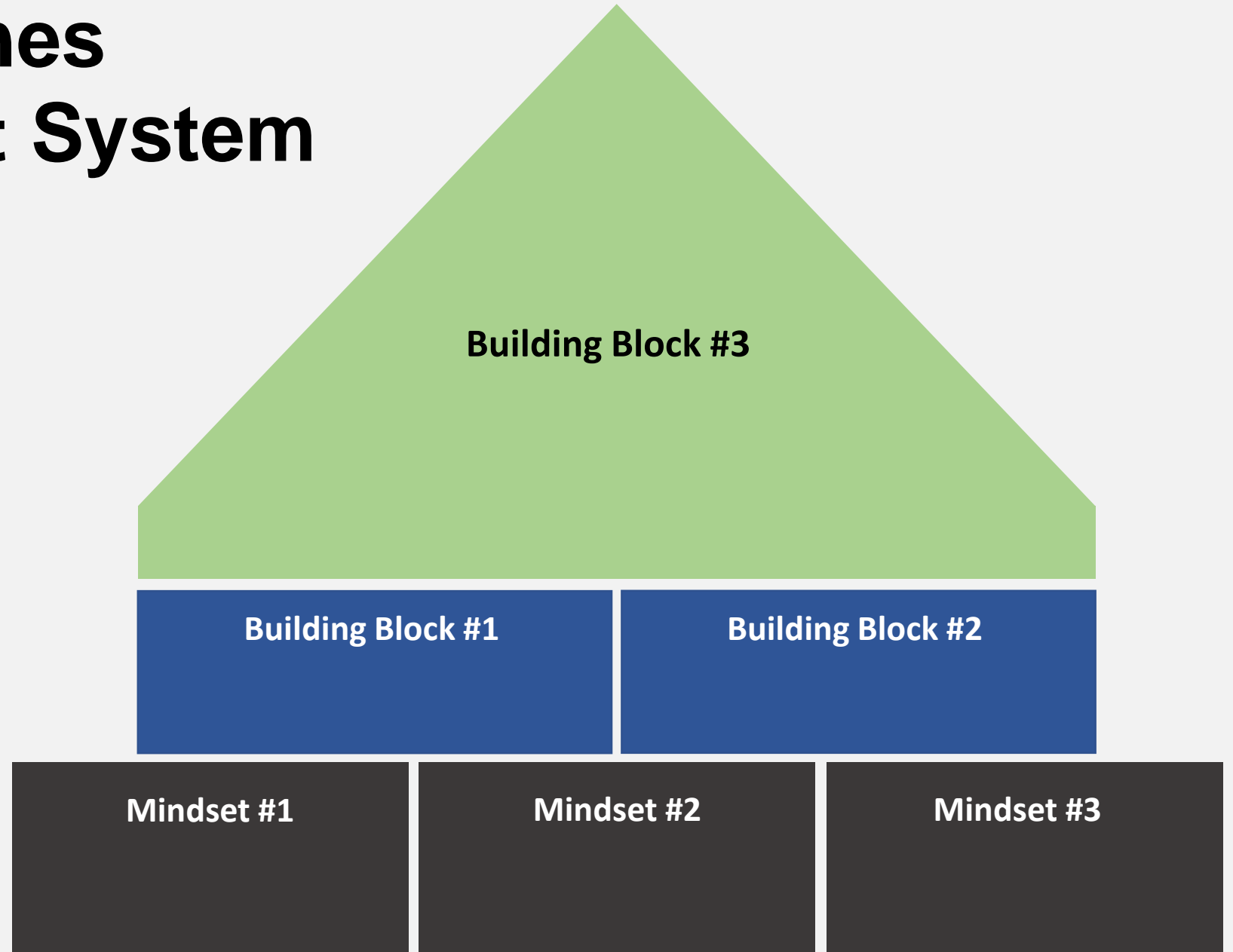




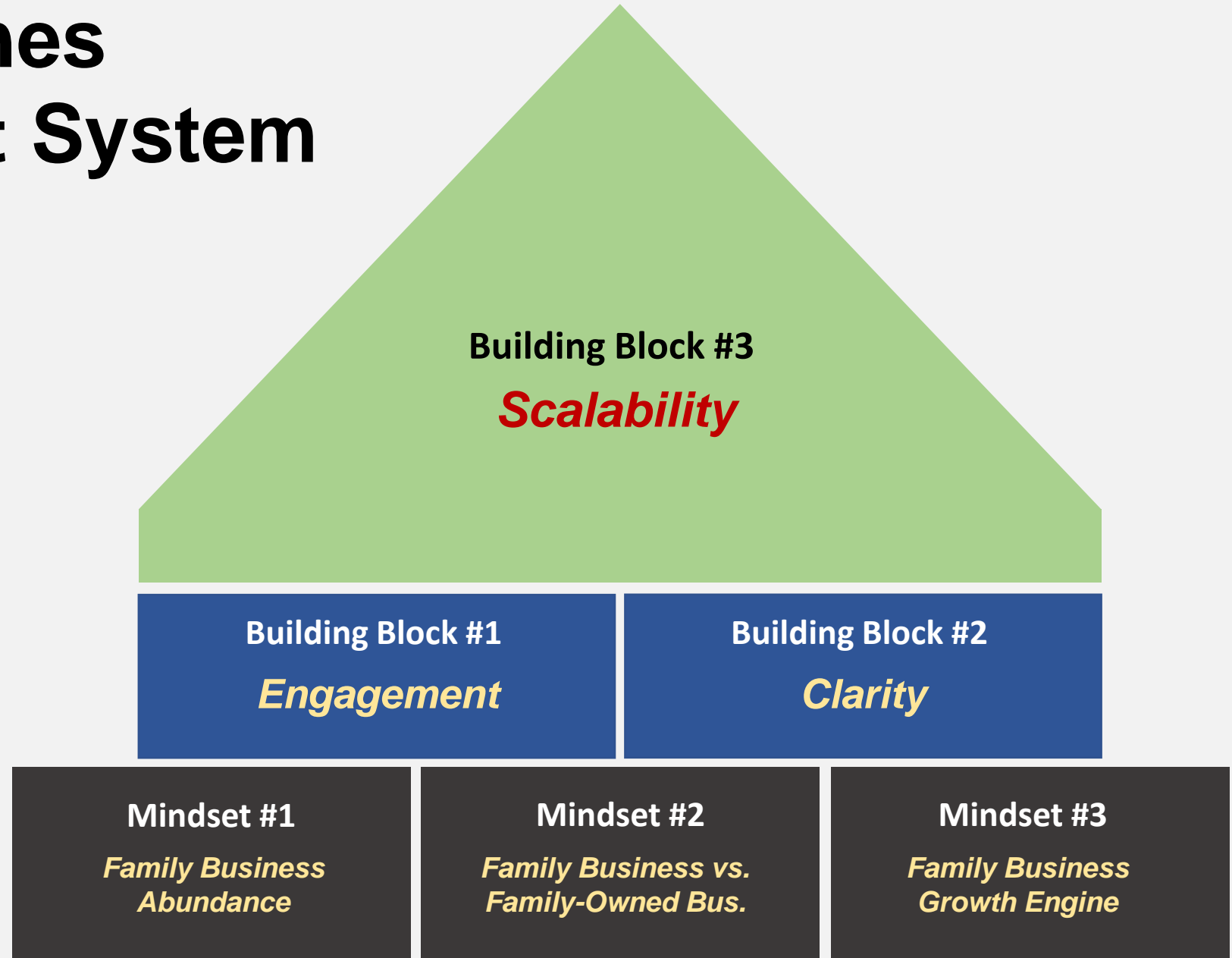
Family Business Abundance



Family Business Management System



Family Business Management System



Family Business Management System

Mindset #1: ***Family Business Abundance***

*Family Business is the **best way** to accumulate wealth.*

*This wealth extends **far beyond** money.*

Family Business Management System

Mindset #2: ***Family Business vs. Family-Owned***

This is a meaningful distinction.

*A Family Business is part of the family, **not separate**.*

*Everybody is an **'Owner'**.*

Family Business Management System

Mindset #3: ***Family Business Growth Engine***

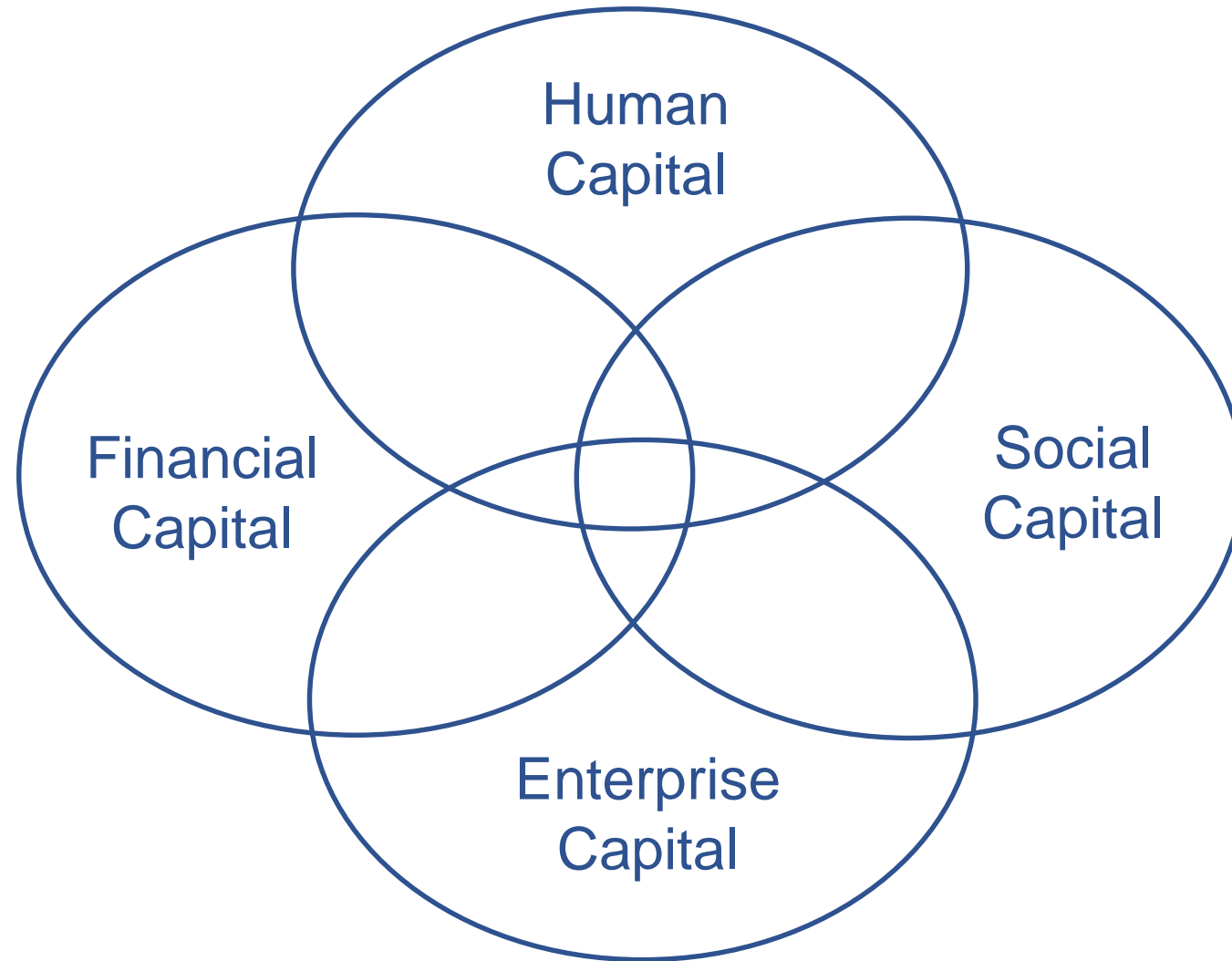
Passive portfolios can't sustain families indefinitely.

*Stewardship alone eventually leads to feelings of **Scarcity**.*

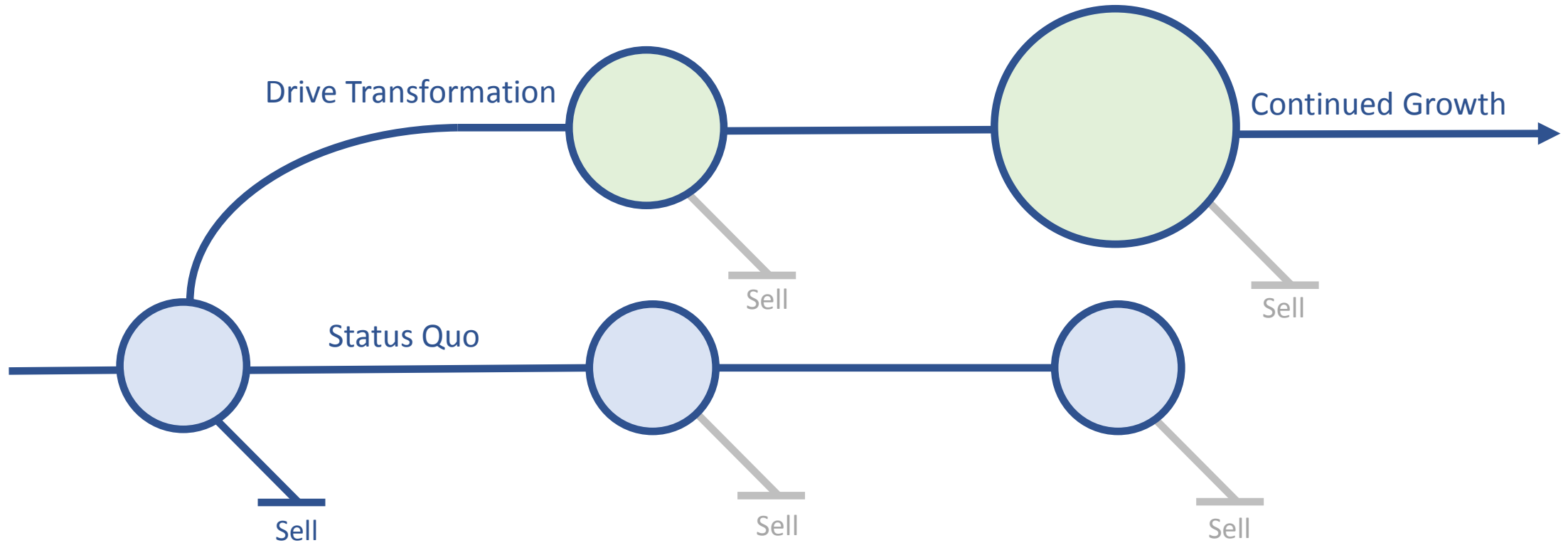
*Sustainability requires **New Capital** not just passive returns.*

*Families with a **Growth Engine** feel more **Abundance**.*

What are the rewards of family business?



Three basic options, everyday...





Children per Family	Year 1	Year 25	Year 50	Year 75	Year 100
	G1 + G2	+ G3	+ G4	+ G5	+ G6
1.8	3.80	8.84	17.91	34.24	61.63
1.9	3.90	9.41	19.88	39.77	75.56
2.0	4.00	10.00	22.00	46.00	92.00
3.0	5.00	17.00	53.00	161.00	483.00
4.0	6.00	26.00	106.00	426.00	1,704.00

Financial Implications

Company Characteristics:

Revenue	20,000,000
Expenses	16,000,000
EBITDA (Cashflow)	4,000,000
Interest, Dep & Ammort.	<u>(2,000,000)</u>
Net Income	2,000,000

Assumptions:

Sales Price Multiple (x EBITDA)	6x
M&A Commission	7.0%
Professional Fees and Expenses	1.0%

Sales Price	24,000,000
Transaction Fees	<u>(1,920,000)</u>
Proceeds to Seller	\$22,080,000

Financial Implications

Company Characteristics:

Revenue	20,000,000
Expenses	16,000,000
EBITDA (Cashflow)	4,000,000
Interest, Dep & Ammort.	(2,000,000)
Net Income	2,000,000

Assumptions:

Sales Price Multiple (x EBITDA)	6x
M&A Commission	7.0%
Professional Fees and Expenses	1.0%

Sales Price	24,000,000
Transaction Fees	(1,920,000)
Proceeds to Seller	\$22,080,000

Selling Today vs. Selling Tomorrow

Company Characteristics:

Revenue	40,000,000
Expenses	32,000,000
EBITDA (Cashflow)	8,000,000
Interest, Dep & Ammort.	(4,000,000)
Net Income	4,000,000

Assumptions:

Sales Price Multiple (x EBITDA)	6x
M&A Commission	7.0%
Professional Fees and Expenses	1.0%

Sales Price	48,000,000
Transaction Fees	(3,840,000)
Proceeds to Seller	\$44,160,000

Selling Today vs. Selling Tomorrow

Company Characteristics:

Revenue	40,000,000
Expenses	32,000,000
EBITDA (Cashflow)	8,000,000
Interest, Dep & Ammort.	(4,000,000)
Net Income	4,000,000

Assumptions:

Sales Price Multiple (x EBITDA)	7x
M&A Commission	7.0%
Professional Fees and Expenses	1.0%

Sales Price	56,000,000
Transaction Fees	(4,480,000)
Proceeds to Seller	\$51,520,000

Long-term Legacy Value

Option One:

*Sell the
Business today
and Invest the
proceeds*

Option Two:

*Keep the
Business and
make it grow*

Long-term Legacy Value

Year 1: Company Characteristics:

Revenue	20,000,000
Expenses	16,000,000
EBITDA (Cashflow)	4,000,000
Interest, Dep & Ammort.	(2,000,000)
Net Income	2,000,000

Assumptions:

Sales Price Multiple (x EBITDA)	6x
Annual Sales Growth	7.0%
Annual Portfolio Growth	7.0%
Annual Spending (from Portfolio)	5.0%

Sales Price	24,000,000
Transaction Fees	(1,920,000)
Proceeds to Seller	\$22,080,000

Long-term Legacy Value



**Sell Now
Sales Price**

\$22 Million



**Sell Now
Value in 50 Years**

\$60 Million

Long-term Legacy Value



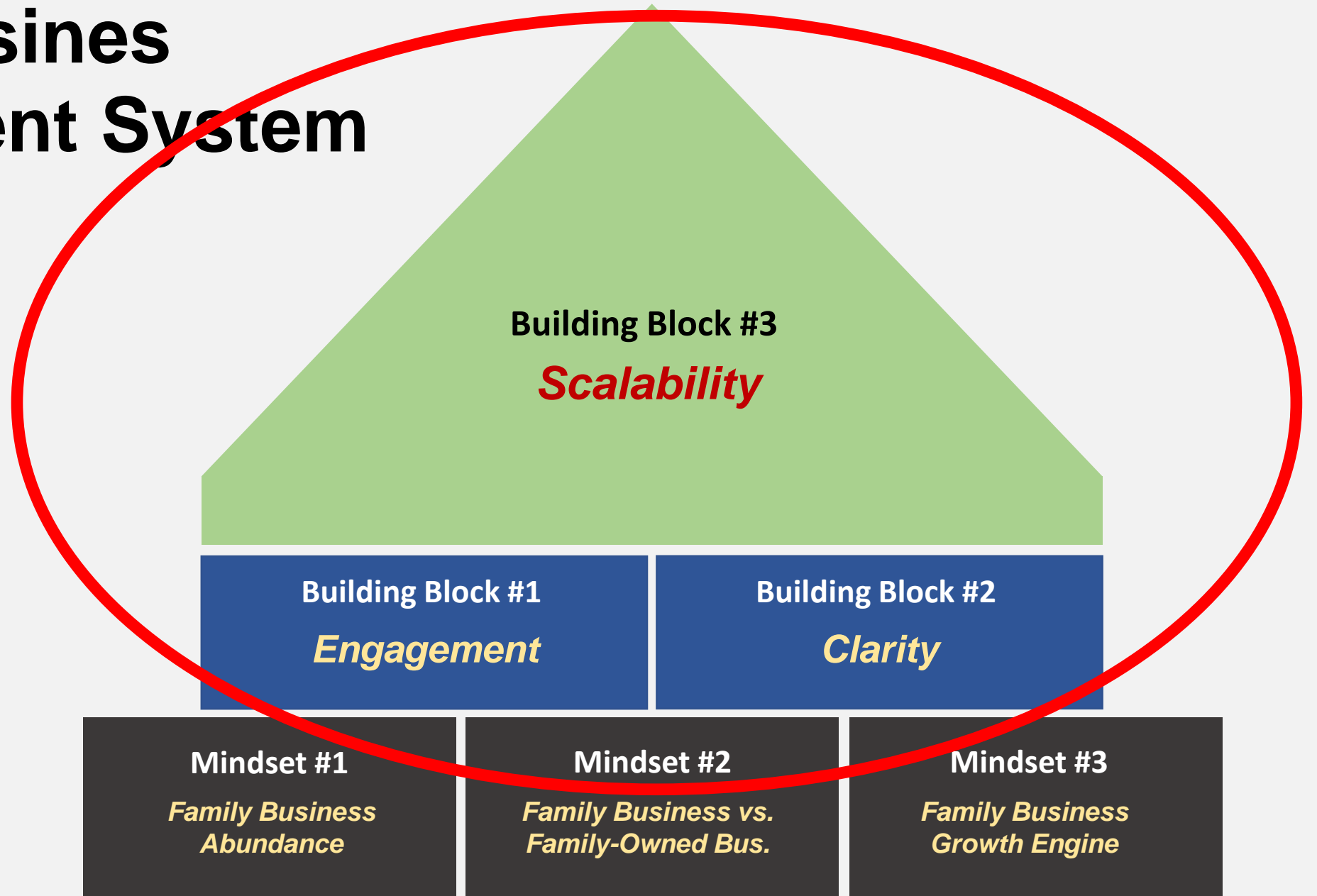
Sell Now
Value in 50 Years

\$60 Million

Keep and Grow
Value in 50 Years

\$1.3 BILLION

Family Business Management System



Three Building Blocks

Engagement

+

Clarity

+

Scalability

=

**Family
Business
Abundance**

Three Building Blocks

Engagement

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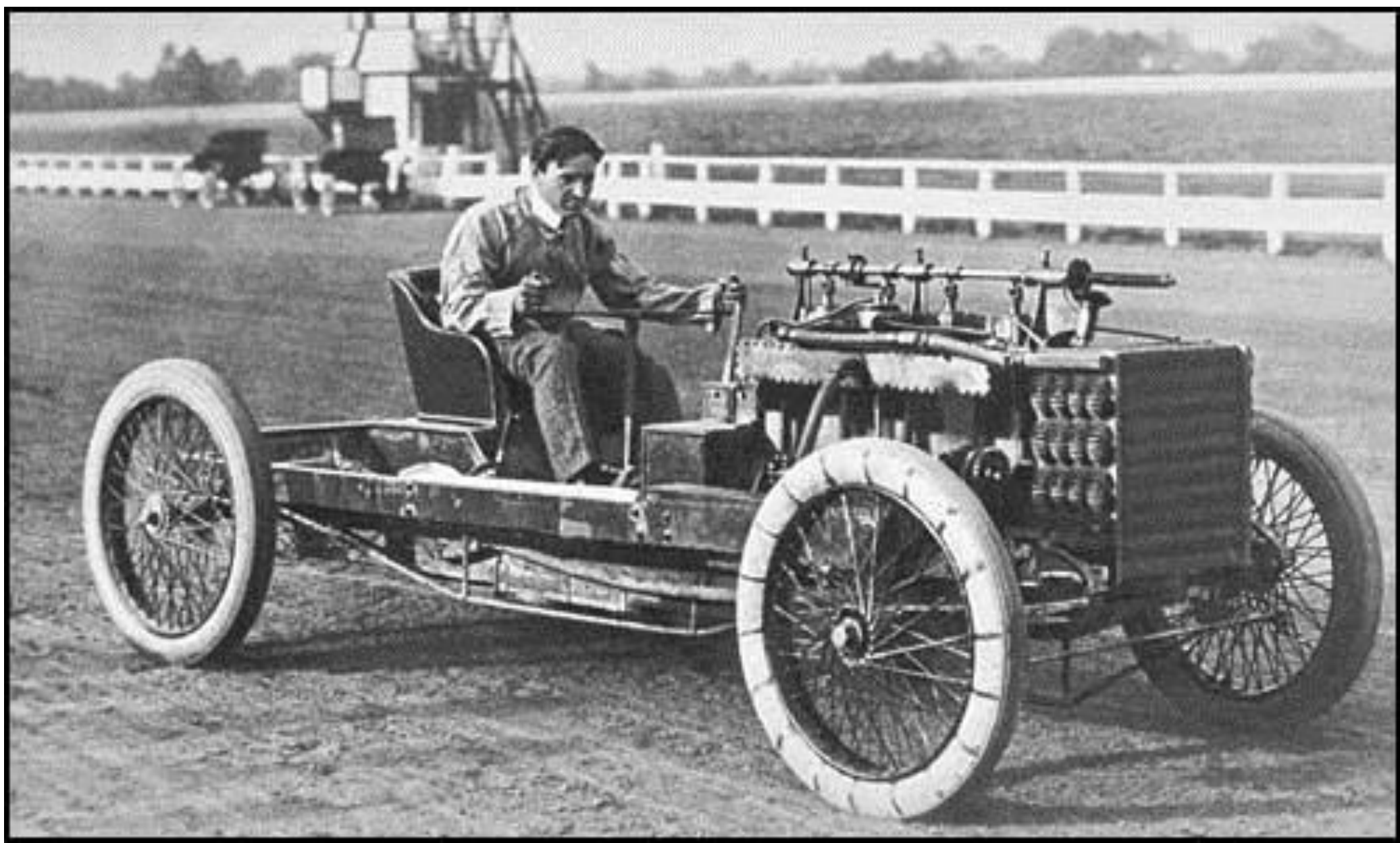
Engagement – *Separate but Connected*

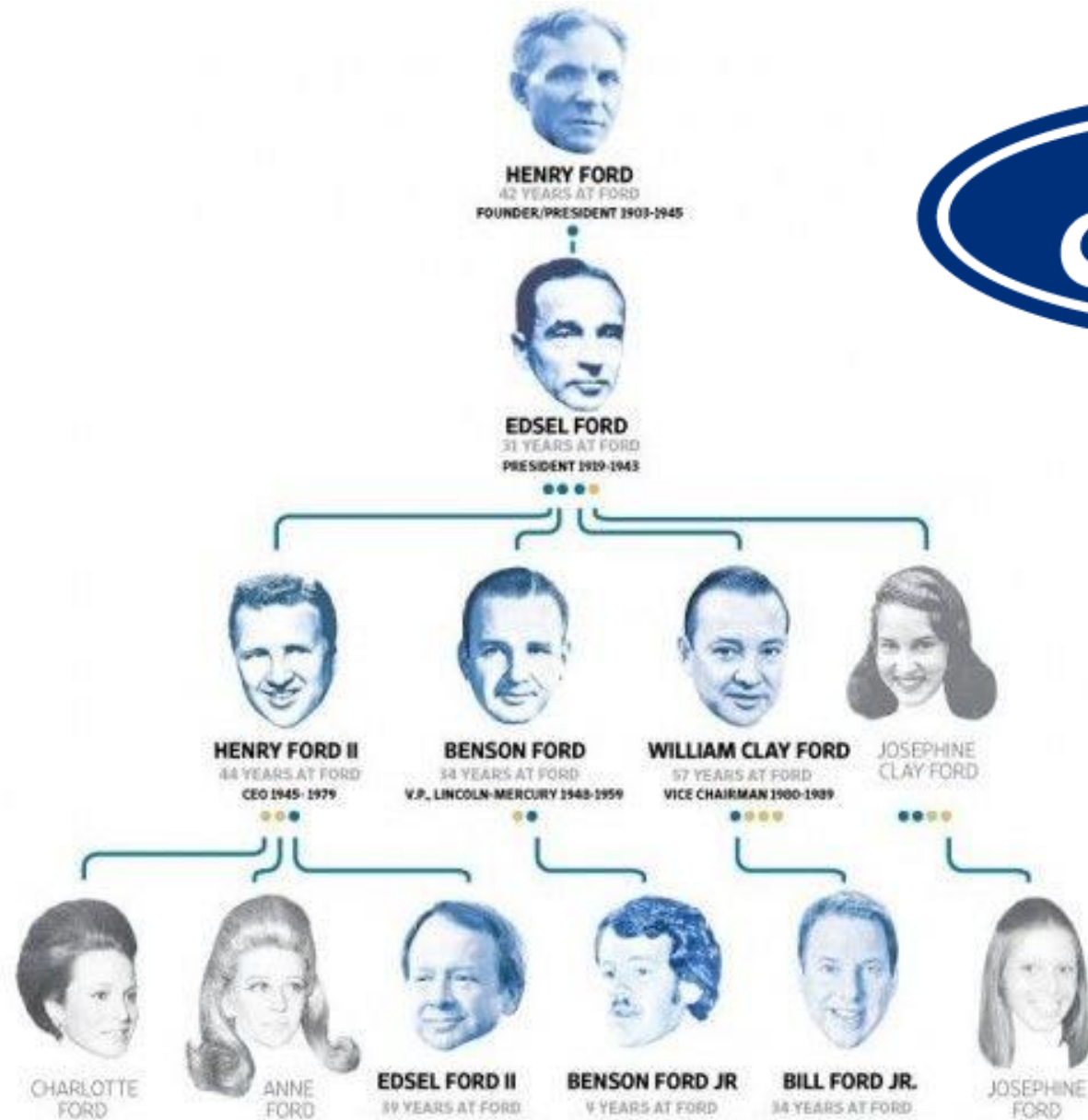
1. Offer the Invitation
2. Express Purpose and Values
3. Provide a Conducive Environment
4. Deliver Proper Training
5. Foster Empathy and Trust
6. Nurture Resilience

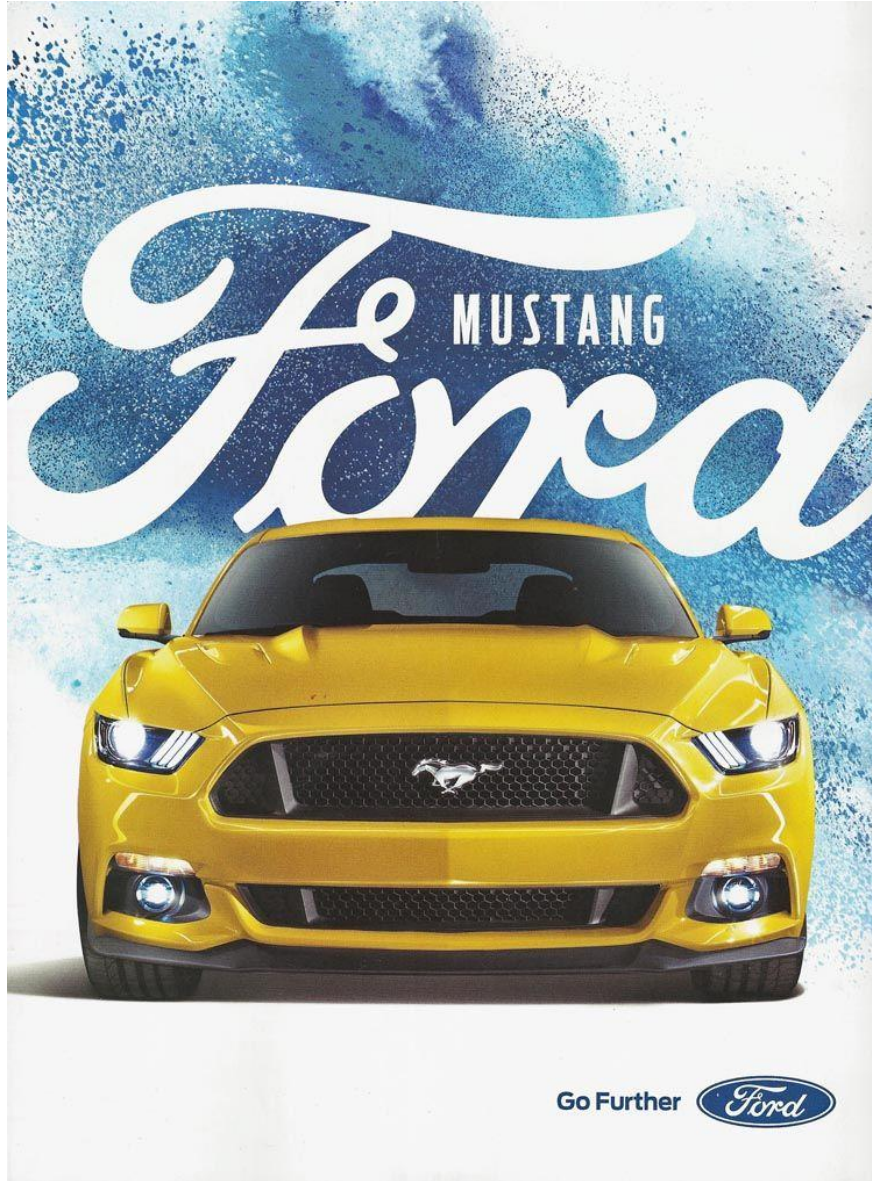




FIRST • CAR









Empathy must extend across

Four Generations

Three Building Blocks

Engagement



Clarity



Scalability



**Family
Business
Abundance**

The Six Family *Clarities* :

1. Vision
2. Transformation Plan
3. Priorities
4. Organization
5. Compensation
6. Control

Three Building Blocks



Growth vs. Scalability

Assertion:

*The natural condition of a well-tuned,
properly-structured company is to grow.*

Natural Growth Systems



Natural Growth Systems



Natural Growth Systems



Natural Growth Systems

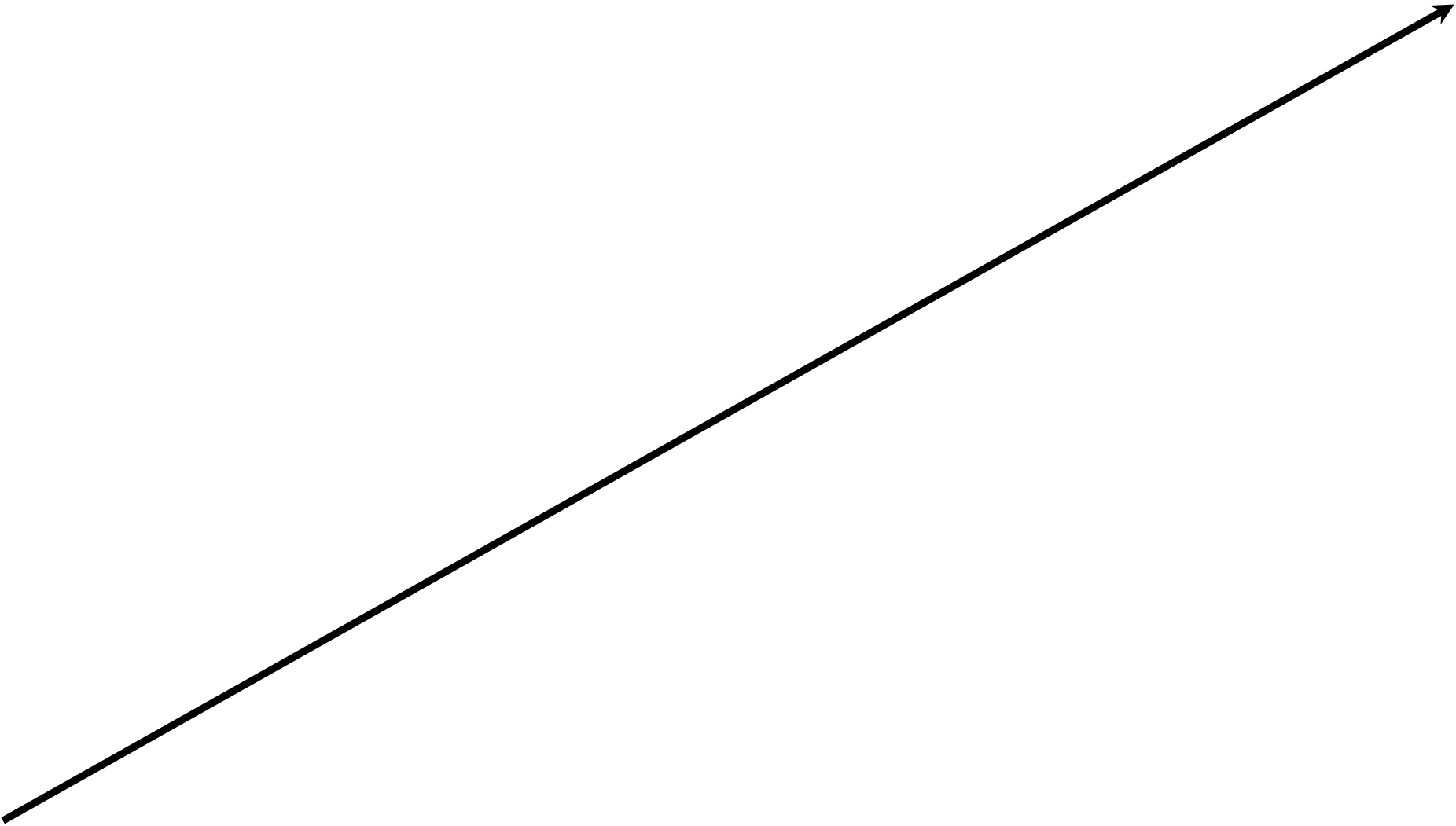


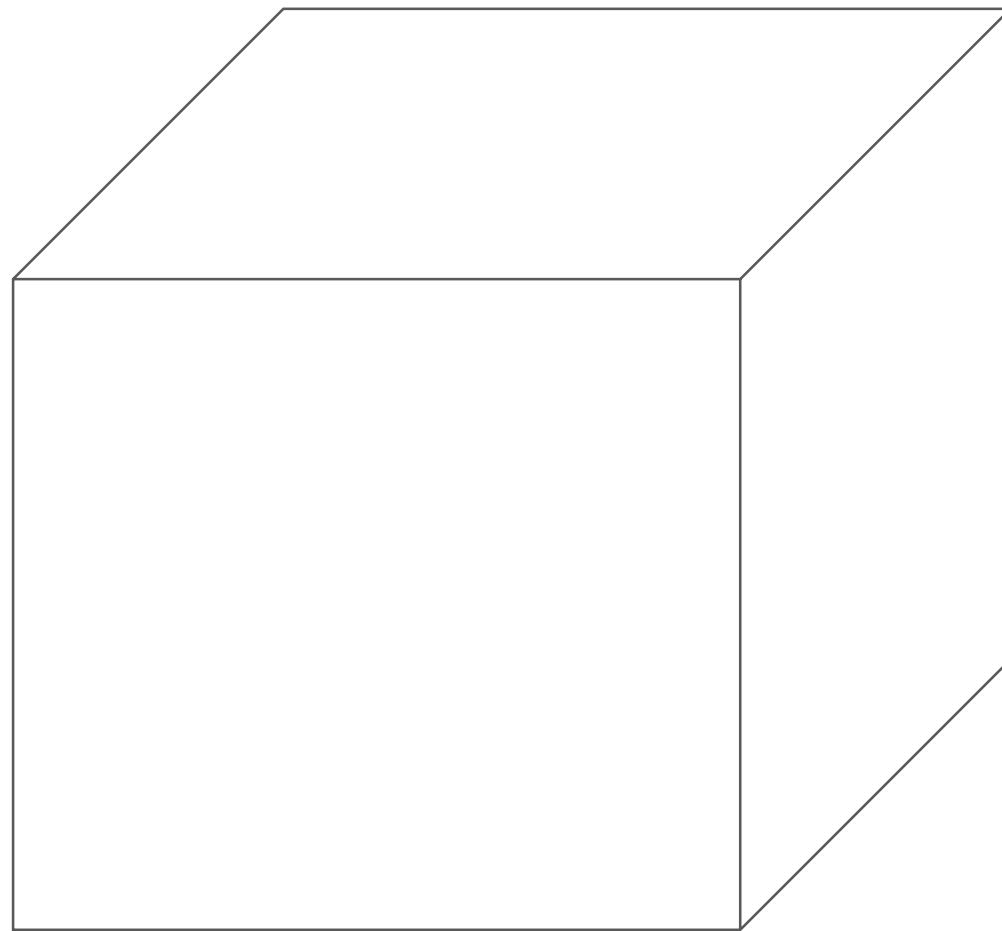
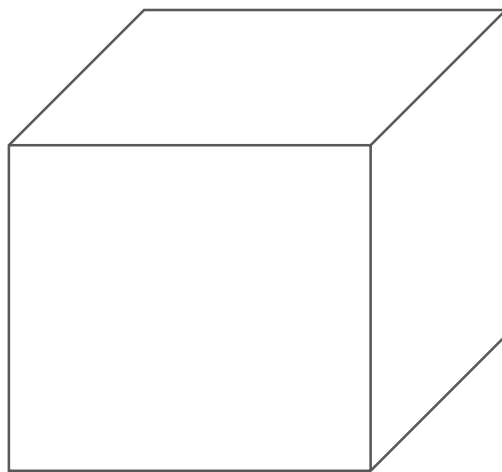
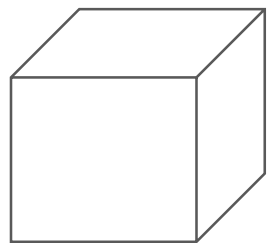
What does it take
to *scale your company*?

Think

Inside

The Box...

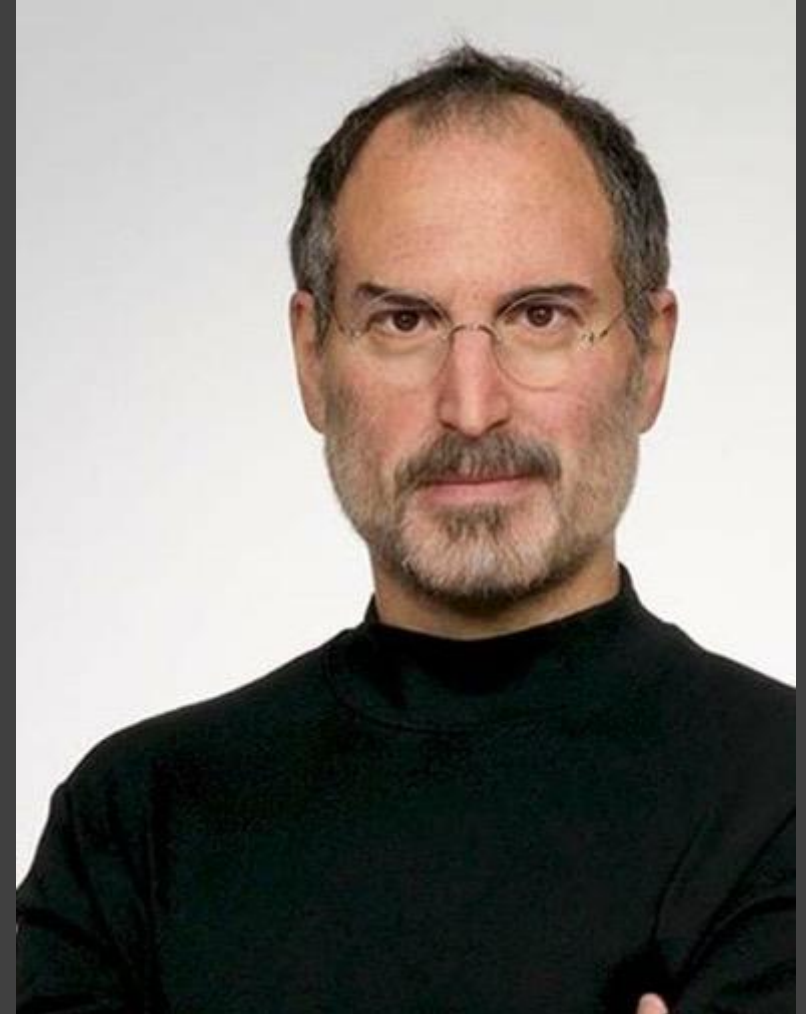




The Six *Scalabilities* :

1. Leadership & Culture
2. Market Focus & Fit
3. Business Model & Finance
4. Team Alignment & Capacity
5. Infrastructure
6. Work Processes

Leadership & Culture



Leadership & Culture



Leadership & Culture

1. Does our company have a compelling **Mission**?
2. Do we understand our **Core Values**?
3. How strong and cohesive is our **Culture**?
4. **Who** is running the company?
5. How do we make **decisions**?
6. How effective is our **Board of Directors**?

Market Focus & Fit



Market Focus & Fit



Market Focus & Fit

1. What change are we driving in the world?
2. What markets are we pursuing?
3. Are our markets growing or melting?
4. Who are we selling to?
5. What '*jobs*' are they hiring us to do?
6. How do we stack up against substitutes?



Outreach

Lead Generation

Brand Elements

Customer Experience

Markets and Tribe

Foundation

Business Model & Finance



Business Model & Finance

1. Unit Economics
2. Customer Acquisition Cost
3. Lifetime Value of the Customer
4. Financial Controls
5. Capital Base
6. Cash Flow, Cost Accounting, Reporting, etc...

Team Alignment & Capacity

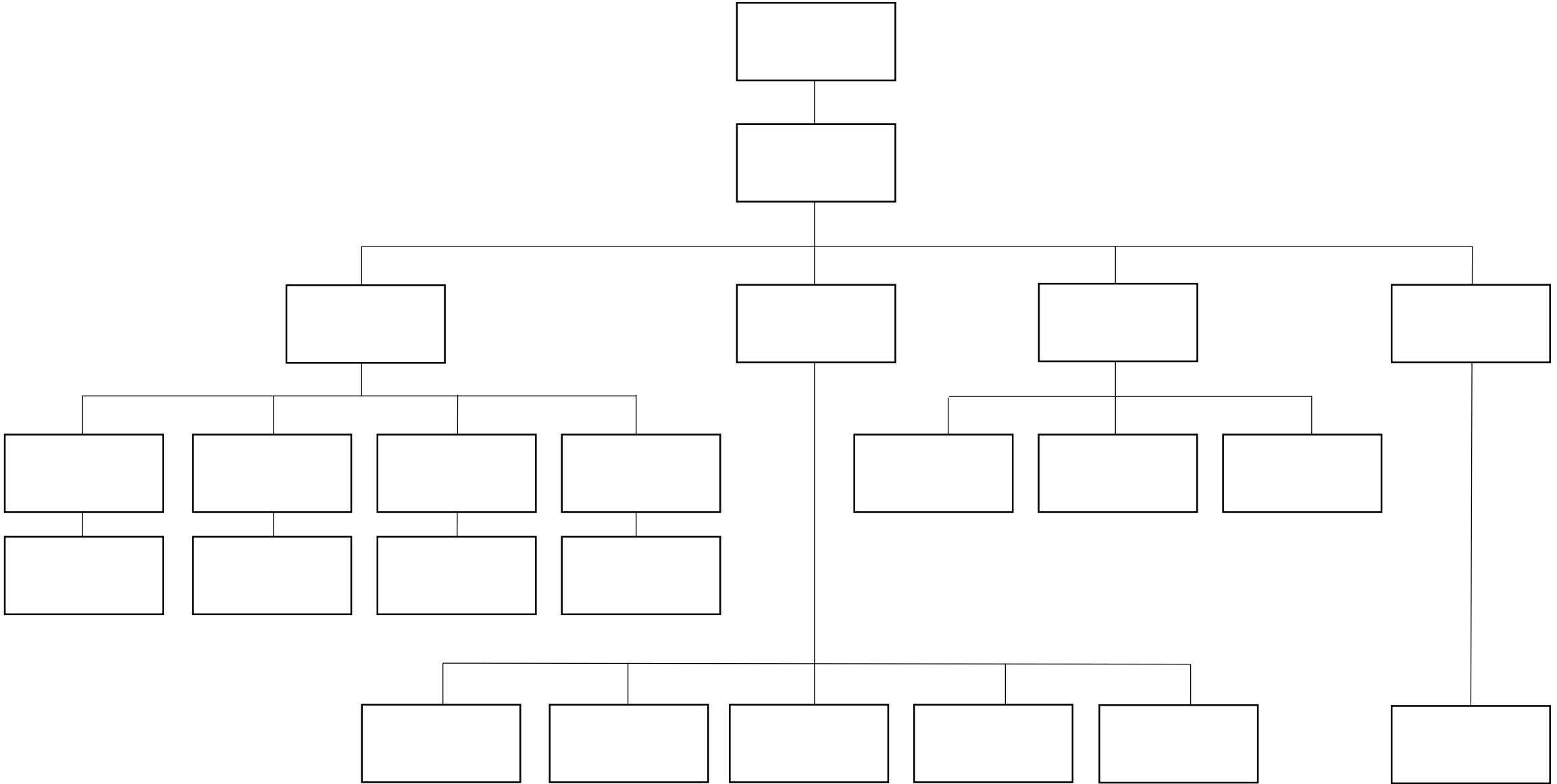


Team Alignment & Capacity



Team Alignment & Capacity

1. What are our primary Operating Groups?
2. Do our employees resonate with our Mission?
3. Do they embrace our core values?
4. How strong is the performance of each group?
5. Do the group leaders have what it takes to grow?
6. How effective is our recruiting, coaching & mentoring?
7. How are we structuring our organization?



Infrastructure



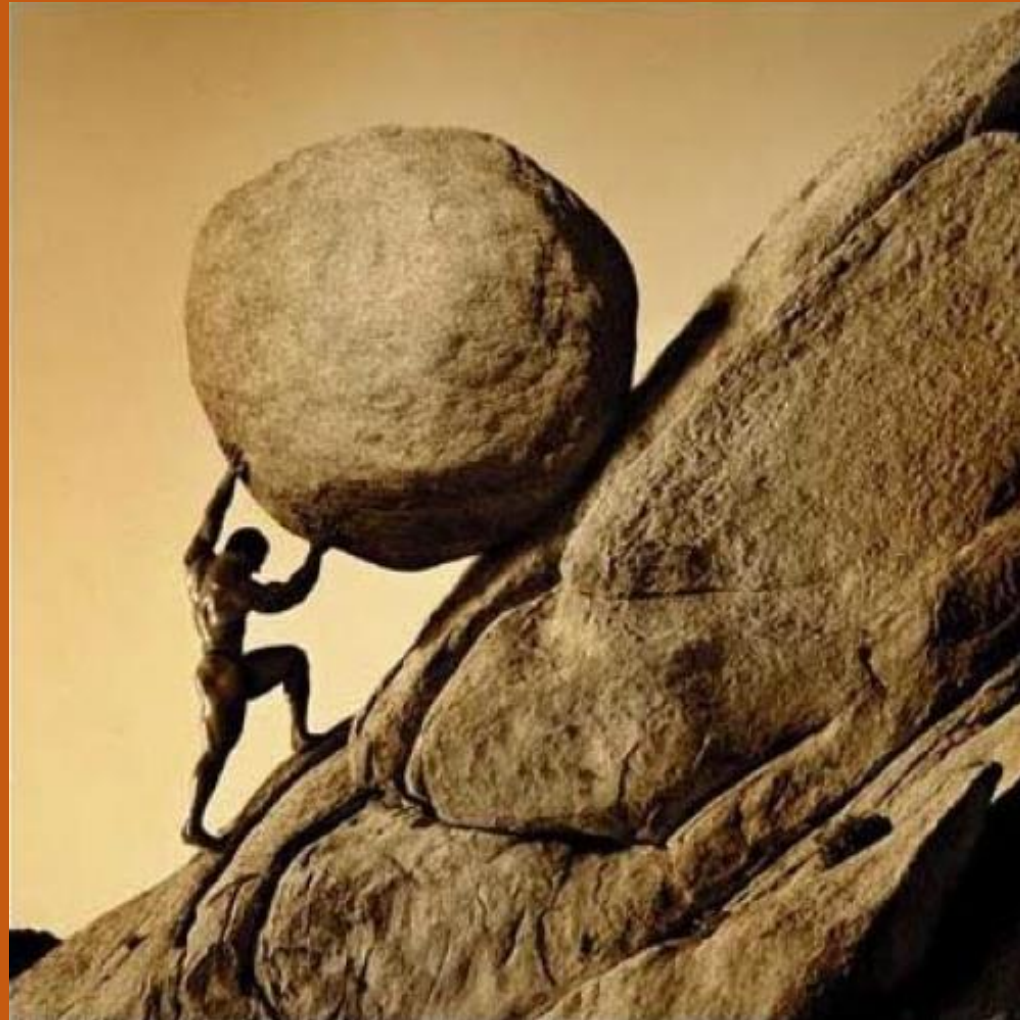
Infrastructure



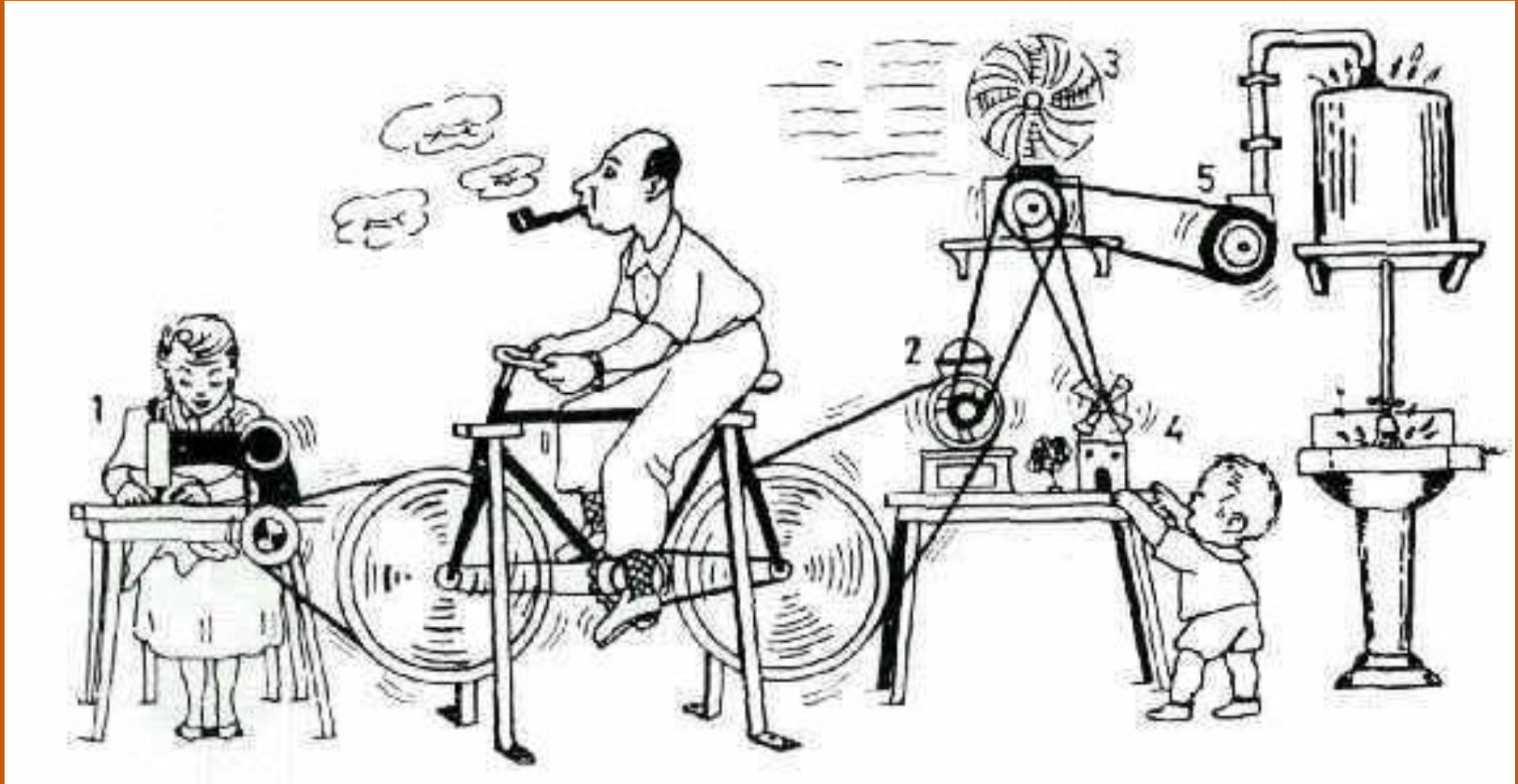
Infrastructure

- Can our *Facilities* handle our growth?
- Do we have any *Legal Obstacles* in our path?
- Are there any *Compliance Constraints*?
- Is our *Technology* scalable?
 - *Systems and applications*
 - *IT and communications*
 - *Data analysis and management*
 - *Security*

Work Processes



Work Processes



Work Processes

- Marketing and Sales
- Operations and Manufacturing
- Finance and Accounting
- Service Delivery
- Reporting
- Recruiting, Training, and Mentoring
- Strategic Planning

The Six *Scalabilities* :

1. Leadership & Culture
2. Market Focus & Fit
3. Business Model & Finance
4. Team Alignment & Capacity
5. Infrastructure
6. Work Processes

Three Building Blocks



Any questions or comments?



100 Years

Where do you and your family want to be?

How fast do you want to get there?

Where do you stand today?

How long is the journey?

What rewards do you seek?

Are you willing to do what it takes?



Thank You

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Senior

- Age Range: 60 +
- Dynamics:
 - Proud of Company & Family
 - Conservative w/ Control Issues
 - Unexpressed Fears & Aspirations
 - Transition reluctance...
- Role:
 - Identify and develop talent
 - Lead by example (*Core Values*)
 - Lead from behind



Prime

- Age Range: 25 - 59
- Dynamics:
 - Need to prove themselves
 - Competitive and ambitious
 - Uncertainty & Impostor Syndrome
 - Feel stress and pressure
 - Conflicting motivations
- Role:
 - Drive the business
 - Embrace and promote core values
 - Invent the future



Next-Gen

- Age Range: 12 - 24
- Dynamics:
 - Deep learning and exploration
 - Defining their purpose
 - Interested but distracted
 - Independent - *Push boundaries*
 - Longing to be included
- Role:
 - Work in the business
 - Then work in other businesses
 - NO entitlement



Puppies

- Age Range: 4 - 11
- Dynamics:
 - Ready to begin learning
 - Save, give, invest, and spend
 - Learn the basics of the company
 - Pitch in lightly at work
- Role:
 - Set the stage for wealth and work
 - Absorb core values
 - Develop gut feel for the business
 - Learn deep respect for employees





Family

Individual

Owner

Operator

There are many kinds of *Trust* ...

- ~~1. Alignment of interest~~
2. Competency
3. Consistency
4. Values
5. Transparency
6. Intentions and Care