

Case Study 4: Family-Owned Manufacturers Secure Asset and Attract New Management

A manufacturing business was owned equally by three families. Two owners had 15 years of work ahead of them, and one was within five years of retirement. It had a significant work force on the factory floor. Two sons worked in the business.

BizSuccession Solutions was asked to look at longer-term succession, as well as immediate succession strategies. In this case, equity was not to be relinquished by any of the families in the event of death or disability striking an existing director.

However, the two sons involved in the business – and the designated future part-owners of the business - were unwilling to take up any management responsibilities.

We were able to draft a document that separated equity rights from the management and directors' roles. The planning addressed the active recruitment of external executives with the required management and industry experience. The business succession agreement set up how this would work, including a small but equal allocation of equity from each of the three families to form a pool to provide some ownership by the proposed new CEO.

The immediate exit strategy planning was able to allow equity to a potential CEO; but was also designed to allow the business to remove the manager – and retrieve equity at a fair price - if necessary , without the spectre of litigation.

The three families are now secure that a family asset will not be lost and the business will continue with competent management.