

The Next Generation

A company's long-term success and stability requires a sound succession plan.

Owners and presidents must have one eye turned to the present and one to the future. As the person who provides guidance and direction to the rest of the business, he or she has to think not only about the current state of the company, but also about the industry's future and how the company needs to change and adapt.

It's almost understandable that, often, not much thought is put into the far future, when someone else might be running the business. However, if a company is to survive long-term, a succession plan needs to be put in place to groom the next generation of leaders.

"You constantly hear about companies that didn't make it to the third generation because of poor planning," says Steve Schonwetter, president of Bilinski Sausage Mfg. Co., located in Cohoes, N.Y. He argues that no company should become so dependent on one person that it can't function after the person leaves.

"It's satisfying to think that all the things you worked so hard to build can live on after you leave the workforce. Grooming the next gen-

eration, or a successor outside of the family, is the only way to see the fruits of your labor continue to grow."

Andrea Fredrickson, vice president of operations for American Institute of Management, a Council Bluffs, Iowa-based consultant firm, puts the number of family-owned businesses that make it to the second generation at 30 percent, and the number that makes it to the third generation at 12 to 15 percent.

"The lack of succession planning is usually the reason for lack of success," she says. "The most common reason presidents and CEOs don't have succession plans in place is the belief that nothing will happen to them or they won't retire. They don't face their own mortality."

In a family business, she adds, there can develop a "kid versus adult thinking," a situation in which the parent running the company still views the successor as a child who isn't ready to take over, rather than a capable adult and business manager.

Bob Vanderselt, principal with the Douglas Group, a St. Louis-based private investment firm, has heard many excuses as to why a compa-



Steve and Stacie Schonwetter of Bilinski Sausage Mfg. Co.

ny has no succession plan in place.

"There is always something seemingly more important to do each day,' is at or near the top of the list," he says. Potential risks of not having a plan in place can include business turmoil resulting from heirs fighting over business interests versus personal interests, loss of customers and employees due to an uncertain future and large estate taxes.

"(It) can be as low as 18 percent and as high as 60 percent" if poorly planned, he says.

Planning ahead

"Succession planning should be formalized and candidates identified with plans in place to ensure that candidates are gaining the experience and expertise necessary to succeed the president," says Vanderselt.

Fredrickson says that the process should take a minimum of five years and ideally 10 years or more.

"The process begins with identifying the future needs of the

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company and identifying the beliefs, skills, experience and knowledge needed to meet those future needs," she says, followed by assessing the talent available to determine the motivation to meet the future needs of the company. She adds that plans also should be in place for all senior and junior management positions, creating more than one potential available successor.

For a family-owned business, the management positions should have key beliefs, skills, knowledge and experiences identified and continually updated as the business changes. A talent development plan should then be created that includes the proper coaching, mentoring, formal education and management training.

"In all of the companies we work with, we require monthly meetings between the current owner and successor, off site," Fredrickson says. "During these meetings some of the coaching gets done — otherwise there's never enough time."

Vanderselt cautions that handing down the business to the next generation is not always the best route. He says that succeeding generations may not have the "grow the business" mentality of the first generation and instead may have a "don't give anything

away" mindset.

"Sometimes orderly sale can be an enormous improvement in options available," he says. "We have had many sales where it was the son or daughter — the next generation operator — who really wanted to 'cash in' and sell out."

From a legal standpoint, a share-



From left to right, Louie Jr., Louie Sr., William and Jim Muench of Louie's Finer Meats

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holders agreement should address how change in ownership takes place. It should also provide guidance and mechanisms for an orderly and planned exit of shareholders as well, he says.

Family traditions

Louie's Finer Meats was founded in Cumberland, Wis., by Louis Muench Jr. and his parents in 1970. Two of his five siblings have since joined the business. Bill is vice president and office manager, and Jim is also a vice president and works in production. Muench Jr. is president and has an expertise in product development and quality control.

"My brothers and I purchased the business from my father and mother, so we each own a third of the business," he says. Both broth-

ers were brought into the company by starting in cleanup like all new employees before migrating into production and the retail area of the business.

"We know everything from the ground up, from sanitation and production to the retail end of it, which makes you a better manager and office person," Muench says. "It's easier to tell people to do things if they know that you've done it before and you know what to expect."

Bilinski's Schonwetter brought his daughter, Stacie, into the business four years ago after she chose to enter the company. He says that his daughter's vision of cementing Bilinski's status as a premier producer of natural and organic sausage solved his suc-

cession planning concerns and injected new life into the business.

Her first responsibility in the company was overseeing plant operations, and she has now gotten involved in sales and customer relationships as well. She had sales and marketing experience from growing up in Bilinski's and from her previous work, but Schonwetter wanted to make sure she understood every aspect of the business from the manufacturing side as well.

"I've turned over management of most of the day-to-day operations to her at this point, which helps me to be able to focus on other things," Schonwetter says. "It's great to have a partner as equally capable as myself to run the business." **IP**



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