

All in the family

How to manage a family business successfully after the downturn **Interviewed by Kristen Hampshire**

The recession caused businesses of all sizes to take stock of their organizations and find ways to run leaner, work smarter and maintain profits.

For many family businesses, this has meant asking whether their businesses could continue to support their lifestyle. Change isn't easy, but those who took serious measures to improve efficiencies are now positioned to leave a successful legacy to the next owners, whether by succession or sale.

"By changing the way their businesses govern operations, many family owners have become more nimble and re-energized because they understand smarter ways to work," says Tony Caleca, member in charge, audit services, Brown Smith Wallace LLC.

And that's essential because businesses must embrace change and remain flexible to continue to compete in a global economy.

"The international flavor of business today is having a growing impact on all organizations," says Bill Willbrand, member in charge, industry services, Brown Smith Wallace.

Smart Business spoke with Caleca and Willbrand about how successful family businesses are managing in an age of uncertainty.

Coming out of the recession, how can businesses regain the value they lost in the last few years?

The good news is that much of the money lost was value-based; its value depended on the desire of the marketplace to acquire businesses and on the ability of businesses to drive profits for buyers. As a response to the recession, businesses made their organizations leaner, resulting in a much lower overhead burden than they previously had. The result: a greater ability to generate cash flow and profitability.

The recession forced businesses to operate differently, to take a hard look at every component of their organizations and determine how each working part drives value to the overall business. It's been a time of self assessment and retooling, and those coming out of the recession with a stronger organizational structure are poised to attack the market, both locally and globally.

Will banks finance expansion in this rebound era?

Banks are absolutely financing expansion for businesses today, but there is a caveat: Financial institutions are lending growth capital to businesses that are truly qualified. Those that are qualified are the ones that have worked closely with their banks through the



Tony Caleca
Member in charge
Audit services
Brown Smith Wallace



Bill Willbrand
Member in charge
Industry services
Brown Smith Wallace

good times and bad. These businesses have improved efficiencies in their organizations and done what's necessary to improve cash flow and profitability.

Businesses positioned to get financing have close relationships with their bankers. They've enabled the bank to understand how their debt will be repaid and to fully understand how those loaned funds will be utilized to improve the long-term financial position of the business.

Banks are still willing and able to lend when they are confident in the business borrower. Banks typically gain this confidence by reviewing the history of how a business dealt with the recession and what strategies it used to reduce costs and expand products and services.

Preparation is critical for presenting appropriate materials to the bank and telling your story. Businesses should approach any financial discussion with the bank as if they were meeting with their largest potential customer. Flat out, businesses seeking financing must be that prepared.

What is the upside to the current situation?

Businesses that survived the recession are running more efficiently. They have reduced waste and addressed issues that may have been lingering for some time. The recession jumpstarted change at many organizations, and although it may have been uncomfortable, there's nothing bad about that. They've survived.

TONY CALECA is member in charge, audit services, Brown Smith Wallace LLC. Reach him at tcaleca@bswllc.com or (314) 983-1267.

BILL WILLBRAND is member in charge, industry services, Brown Smith Wallace LLC. Reach him at bwllbrand@bswllc.com or (636) 754-0200.

For the next generation to lead the business, or, in the event of a sale, the next owners, this means many of the tough decisions have already been made. Businesses are positioned for success; they're prepared to grow. The fat is off; the challenge for the next owners will be keeping it off.

When is the right time to start transitioning to the next generation, or to prepare a business for sale?

The transition process should always be ongoing, but a formal process should be initiated at least five years prior to an exit. It is critical to identify who will drive the business going forward. Who is the 'A' team? The future management team must be prepared for the exit. You don't want to walk in one day to find you've got a new job; the owner is checking out.

Five years — or more — gives an owner the opportunity to determine what skills are needed in management. Where are the holes, and how can those be filled with talent? Time allows the family to work through the non-financial issues that are inherent in a family business, primarily, what's next after the business is transitioned? During the transition period, family members and key advisers should be involved in planning the future as a team effort.

For example, a business might appoint a transition team consisting of key advisers, an outside board of directors, attorneys, bankers and accountants. The earlier that goals, strategies and ground rules are developed, the smoother the transition will be.

What key attributes will define success for the next-generation business?

It's critical today to focus on creating a sales culture. As we move out of this recessionary period, many businesses are identifying a need to develop qualified salespeople who can expand the business as quickly as prudently possible.

Many organizations are running lean effectively in terms of cost structure, but they still must increase their market share. To do that, they need talented, dedicated sales professionals to drive business. Adopting a sales culture while remaining nimble will position a business to succeed far into the future. <<