

***Succession Planning for
Private Companies and
Family Businesses Webcast***

A woman in a light blue blazer and white top stands in the foreground, holding a blue pen and looking towards a group of people seated at a conference table. The background shows a meeting room with a whiteboard covered in diagrams and charts. The scene is lit with warm, ambient lighting.

pwc

CPE Credits

Today's webcast is worth 1.5 Continuing Professional Education (CPE) credit.

To be eligible for CPE credit, you must:

- Answer **at least 4 of the 6** polling questions (during the webcast) and have a total viewing time of **at least 75** minutes.
- Participants will have the opportunity to download their CPE certificate immediately following the webcast if above requirements are met.
- In accordance with the standards for the National Registry of CPE Sponsors, CPE credit will be granted based on a 75-minute hour.
- We are unable to grant CPE credit in cases where technical difficulties preclude eligibility. CPE Program Sponsorship guidelines prohibit us from issuing credit to those not verified by the technology to have satisfied the minimum requirements listed above.



Jay Mattie



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Private Company Services US Family Business Co-Leader

Jay has served as the US Family Business Co-Leader for the Private Company Services (PCS) practice. In that role he is responsible for supporting and building PwC's capabilities and services to Family Enterprises across the US. He is based in Boston and where he serves several large family businesses in the Northeast market in the Retail, Consumer and Service sectors.

Jay has been with PwC since 1981 and was admitted to the partnership in 1990. His career has been focused on providing growing companies with audit and business advisory services in the technology, services, retail and consumer and industrial products industries. He has a broad range of industry experience and has served clients ranging from large multi-nationals to partnerships and closely held private companies. He has assisted companies in financing their business, international expansion, governance, mergers and acquisitions, and internal controls.

Jay has an array of experience working with family businesses from early stage, 1st generation to 6th generation, multi-billion in sales family businesses. He has assisted family owners as they seek liquidity options for their shareholders, consider generational transition, develop compensation strategies and plan for leadership succession.

Jay is a graduate of Stonehill College, a licensed CPA in Massachusetts and Maine. He is a member of the American Institute of CPA's and the Massachusetts Society of CPA's and serves as the Vice Chair of Make-a-Wish Massachusetts and Rhode Island.

PwC's Family Business Services

More than 170 partners and 2,000 staff dedicated to working with family businesses, closely-held businesses, their owners and shareholders. We bring a deep understanding of the issues and considerations that drive your business decisions, which comes from years of experience working alongside owners and family members, hearing what matters to them.

We help families develop comprehensive solutions around business strategy, succession planning, governance, private wealth and philanthropy. Our clients span first generation to six generation and beyond.





Dr. Justin Craig



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Dr. Justin Craig is Clinical Professor of Family Enterprises and Co-Director of the Center for Family Enterprises at Northwestern University's Kellogg School of Management.

Dr. Craig's research focuses on the strategy, function, management, and performance of multi-generational family enterprises and those who lead and steward them. He is especially interested in behavioral aspects of the family and, increasingly, the business family-influenced drivers of socio-economic impact. Before Kellogg, he held faculty positions at Northeastern University in Boston, Bond University in Australia and Oregon State University.

As a practitioner, Dr. Craig has worked with and for business families for almost a decade before pursuing an academic career, and was subsequently involved with multiple entrepreneurial ventures. Today he works closely with family business leaders, their consultants, and advisors, and has trained and presented to members of family firms from most business sectors (technology, consumer goods, manufacturing, retail, and many others) and countries worldwide, including the United States, Colombia, Mexico, England, Ireland, Finland, South Africa, China, South Korea, India, Dubai, New Zealand, and his home country Australia. His areas of advisory expertise include issue-selling by next-generation family members, business and family governance, and the use of strategy measurement and management tools, such as the Balanced Scorecard, in family firms.



William Goodspeed



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William (Bill) Goodspeed is an expert in family-owned businesses, having considerable experience as family member, executive in family businesses, board member and next generation developer. He is a 4th generation member of the Huber family, which owns the J.M. Huber Corporation, a \$2.4 billion international family company founded in 1883. Mr. Goodspeed serves on the boards of six family-owned companies (Sheetz, ABARTA, Longo's, Granger, Walch and Kahiki) and has served on the boards of two others.

Bill has become very involved with next generation development for the Huber family. He developed and manages the Huber mentorship program for 5th generation family members, the goal of which is to develop the next generation for possible executive and director roles in the company. In addition, he chairs the Next Generation Committee at ABARTA and is involved in next generation education and training with the Longo's family in Canada.

Before Huber, Bill was Executive Vice President of Pasona International, the international arm of Japan's Pasona Group, then the largest human resource staffing firm in Japan and family-owned firm.

He was also a management consultant at McKinsey & Company and an attorney. He received a J.D. from the University of Michigan and a B.A. from Dartmouth College.



Al Williams

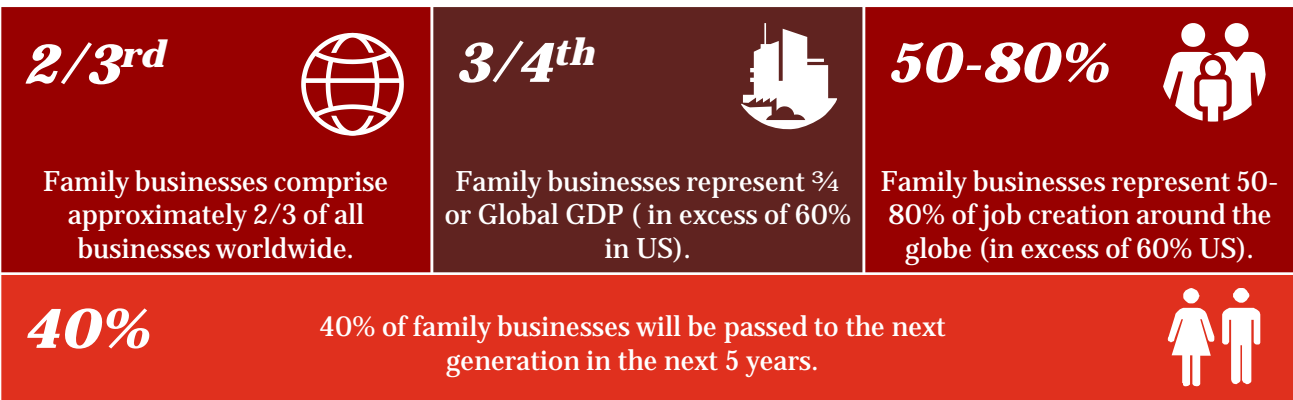


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Al accepted his first job offer with Bryan Foods, division of Sara Lee, as a financial analyst in 1990. In 1997 he joined Bush Brothers & Company where he has worked in several capacities including Director of Procurement, Logistics & Supply Chain; and Vice President of Human Resources. In his current role as Senior Vice President and Chief Financial Officer, Al is responsible for Human Resources, Information Technology, Accounting & Financial Operations, and New Products Development.

Al and his wife of 25 years, LeaAnne, reside in Knoxville, Tennessee. They have two beautiful children: Mary Frances and Harrison.

Al is an active member of Church Street United Methodist church and serves as President on the Board of Directors for Big Brothers Big Sisters (BBBS) of the Tennessee Valley where he recently published his first children's book, *A Friend Indeed*, as a fundraiser for BBBS. Al serves on the Dean's Advisory Board for Liberal Arts as well as the department advisory boards for Economics & Finance at the University of Tennessee in Knoxville. He is on the Dean's Advisory Board for Liberal Arts at Ole Miss.

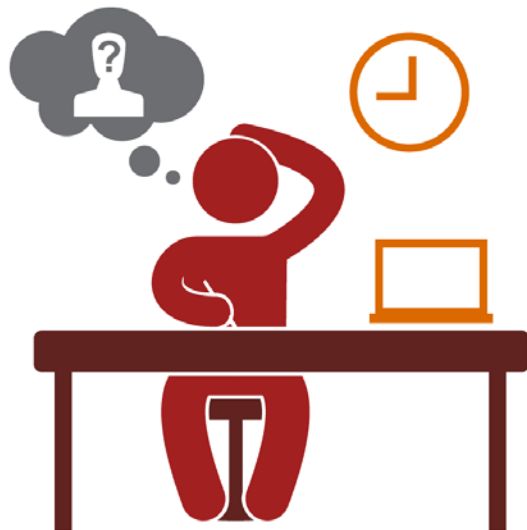
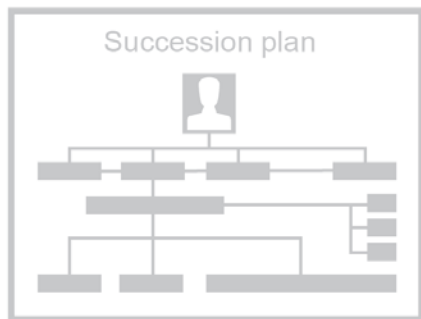


- It will happen
- It usually doesn't work out well:
 - Only 1/3rd get to 2nd generation
 - Less than 15% to 3rd generation
- Critical to the success and continuity of the family enterprise AND family
- Significant impact on stability of the business and the FAMILY
- Creates confidence with all constituents (banks, community, employees, stakeholders)

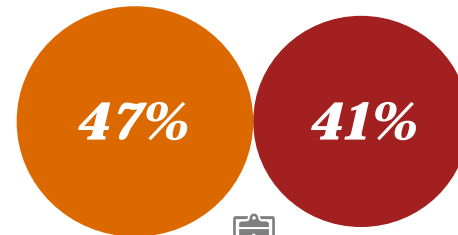
Caution: it is easy to ignore until it is too late!



Succession is a breaking point for many family firms, but only **23%** of them have a formal plan in place.



1st/2nd gen firms 3rd+ gen firms



Believe succession planning will be a challenge in the next 5 years

Is your succession plan robust, documented and communicated, or is it less formal than that?



2017 US Family Business Survey



Next Generation 2016 Survey



PwC's Family Business Services



PwC's Private Wealth Services



PwC's Family Office Services



Business Strategy & Growth



Business Transition



Governance



Private Wealth



Values & Philanthropy

www.pwc.com/us/familybusiness

Succession: A Process and an Event.

Justin B. Craig Ph.D.

Succession Planning for Private Companies and Family Businesses Webcast
February 15, 2017

Northwestern | Kellogg

Why, what, how, when...

1. **Why** plan for succession?
2. **What** is succession planning?
3. **How** to plan for succession?
4. **When** to plan for succession?

Framing the debate

Succession is a **process** and an event



Seven stages of succession

Succession of:

1. **Values:** continuing differently
2. **Knowledge:** theoretical to practical
3. **Relationships:** networks
4. **Management:** micro to macro
5. **Authority:** cost/revenue centre to profit centre
6. **Leadership:** operational management to strategic insight
7. **Ownership:** technical to emotional

Seven stages of succession

1. Values

- Demonstrate values congruent with those of owning family

2. Knowledge

- Transition from theoretical to practical knowledge takes patience and mentoring

3. Relationships

- Turn over key relationships to successors

4. Management

- From operational management to strategic considerations of where the business is headed

5. Authority

- Progress successor through various levels of managerial responsibility

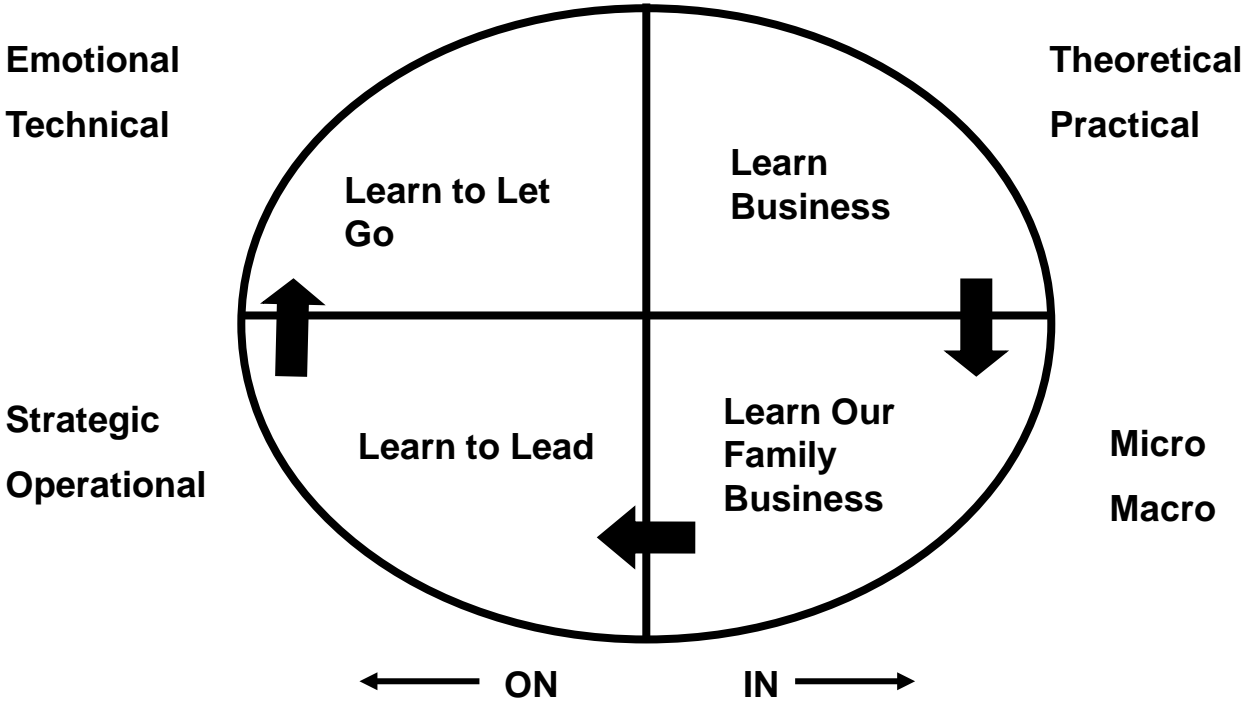
6. Leadership

- Develop insight to business, family, and self

7. Ownership

- Secure finances for business and family with professional advice

When: learning to succeed



Answers

1. **Why** plan for succession?

To maintain family harmony and to promote business continuity

2. **What** is succession planning?

A multi-dimensional process over an extended period

3. **How** to plan for succession?

Commence with communication and education through family and business meetings

4. **When** to plan for succession?

When parties are ready, willing, and capable

Takeaways

Succession is a **process** and an event



Guidelines and pathways

Incumbent

1. Recognize that you are not alone

Pathway: Focus on the outcomes you most value.

2. Teach the foundations

Pathway: Reinforce family values...as family values are the foundation of your competitive advantage.

3. Hire into an existing job

Pathway: Ensure that family members have clear roles, transparent requirements for that role, responsibilities for the role with someone other than a parent to report to, and are remunerated at a level consistent with the role

4. Set a date

Pathway: Consider succession as a life-stage change and that you are moving to another role, with different requirements and responsibilities.

5. Let go

Pathway: Prepare in advance to be financially secure and not a burden on the business and...lead by leaving.

Guidelines and pathways

Process

1. Succession is a process – and an event

Pathway: Ensure that potential successors appreciate there are challenges...but that the business also provides some precious opportunities.

2. Present the business as an option – not an obligation

Pathway: Signal consistently that a role in the business is AN option, NOT THE ONLY option.

3. Develop a rationale

Pathway: Expect there will be difficult times...and support each other through open and honest communication.

4. Have family meetings

Pathway: Communicate and educate...communicate and educate...communicate and educate

5. Plan, plan, plan

Pathway: Document business, financial and succession plans as the first item on your to-do list...and recruit trusted others who will ensure you don't procrastinate.

6. Create an advisory board

Pathway: Recruit caring constructive critics to assist in the process.

Guidelines and pathways

Successor/next generation

1. Get outside experience

Pathway: Introduce a requirement that next generation members work for someone else for three to five years...and demonstrate competence in their position by being considered for promotion(s).

2. Develop complementary skills

Pathway: Intentionally equip the next generation with the appropriate knowledge, skills and abilities...as the challenges that they will need to address are different to the ones that the current generation navigated.

3. Start with mentors

Pathway: Share the burden of the next generation's personal and career development with a trusted other.

4. Designate an area of responsibility

Pathway: Intentionally design a developmental career that best prepares the next generation for their leadership role.



Next Generation Development at Family Companies

William Goodspeed

February 15, 2017

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and Family Businesses Webcast**



\$2.4 billion
Gen4/5
Head Mentor



30 stores, on line business
Gen2/3
HR Committee
Next Gen Educator



\$250 million
Gen3/4
Chair, Next Gen Comm



540 Stores
Gen 1/2/3
Great generational transition
Outstanding Family employment



Waste management & landfill gas
Gen 2/3/4
Educator on Next Gen Development

Family Development Issues

- Large Age Gap Between Current Generation & Next Generation
- Next Generation Members Are Often Not Motivated To Pursue Business Careers
- Next Generation Members Are Not Qualified to Serve on Boards or Be Company Executives
- Development Time for Next Gen Members is Very Long (10-20 years)

Approaches to Development

- Establish Committee for Education & Development
 - ✓ Assessment: How Much Time For Transition?
 - ✓ Note: It will be very long—10-20 years
- Develop Mission for Next Gen Education & Development
 - ✓ Goal of Family Development
 - Board (critical)
 - Executive (depends on company)
 - Educated Shareholders
 - ✓ Timeframe
 - ✓ Responsibilities (education, board, employment)

Approaches to Development

- Clear Family Employment Policy (Balance Nepotism Issues & Need to Accelerate Family Involvement)
 - ✓ How Many Years of Outside Employment?
 - ✓ What Kind of Degree Required?
 - ✓ Different Requirements for Different Career Paths?
- Fair Process for Hiring Family
 - ✓ Family Employment Committee
 - ✓ Use of Independent Directors/Outsiders
 - ✓ How to Avoid Alienating Valuable Employees
- Family Employee Evaluation
 - ✓ Relieve Pressure on Non-family Bosses

Approaches to Development

- Board Participation
 - ✓ Define Qualifications of Family v. Independent Directors
 - ✓ Committee to Evaluate/Recommend Family Candidates
 - ✓ Family Director Evaluation Process (this is tough!)
- Board Training
 - ✓ Non-Voting Directors (Corporate & Subsidiary Boards)
 - ✓ Committee to Evaluate/Recommend Family Candidates
 - ✓ Mentors (Independent or Family?)

Approaches to Development

- Education
 - ✓ Company Education Around Annual Meeting
 - ✓ Functional Education (Strategy, Marketing, Accounting)
 - Annual Meeting
 - Special Next Generation Meeting
 - ✓ Family Business Seminars (e.g., Campden)
 - ✓ Family Business Programs (e.g., Kellogg)
 - ✓ Executive Education
- Family Governance
 - ✓ Next Gen Involvement for Development

What Can You Do?

- Start Now—It Takes a Long, Long Time
- Design Architecture for Family Development
- Establish Family Education & Development Committee
- Assess Next Gen Development Needs and Set Mission
- Establish Family Employment Policy
- Develop Board Training and Participation Programs



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Al Williams
Senior Vice President & CFO

February 15, 2017





Mission

Bush Brothers & Company is a community making a difference ...

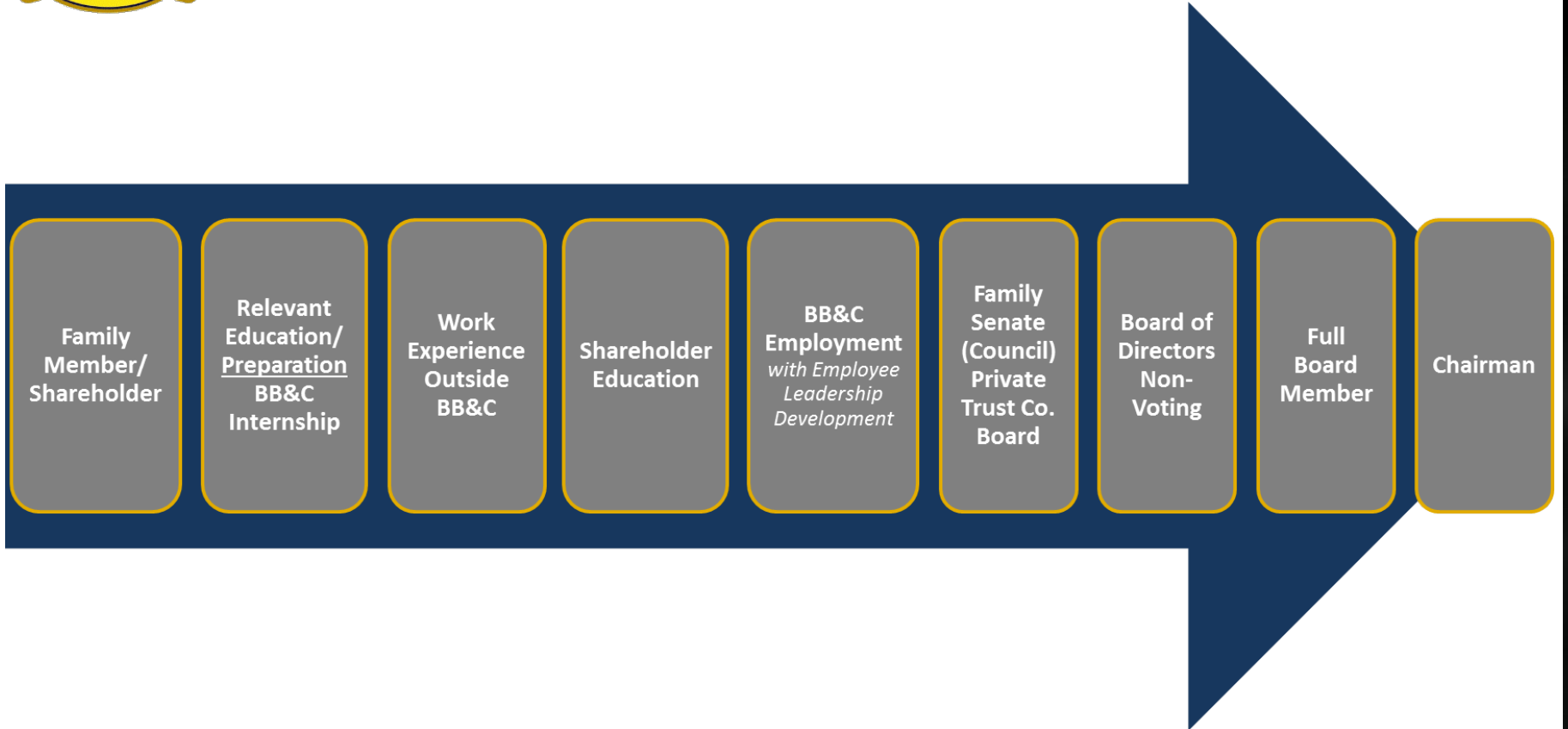
... we will provide with reasonable balance:

- Value to our consumers
- Service to our customers
- Opportunity to our team of employees
- Enhanced value to our owners
- Stability to our suppliers
- Responsible citizenship in our communities

Together, we will live by the values of integrity, responsibility, trust and caring as exemplified by our founder, A.J. Bush.

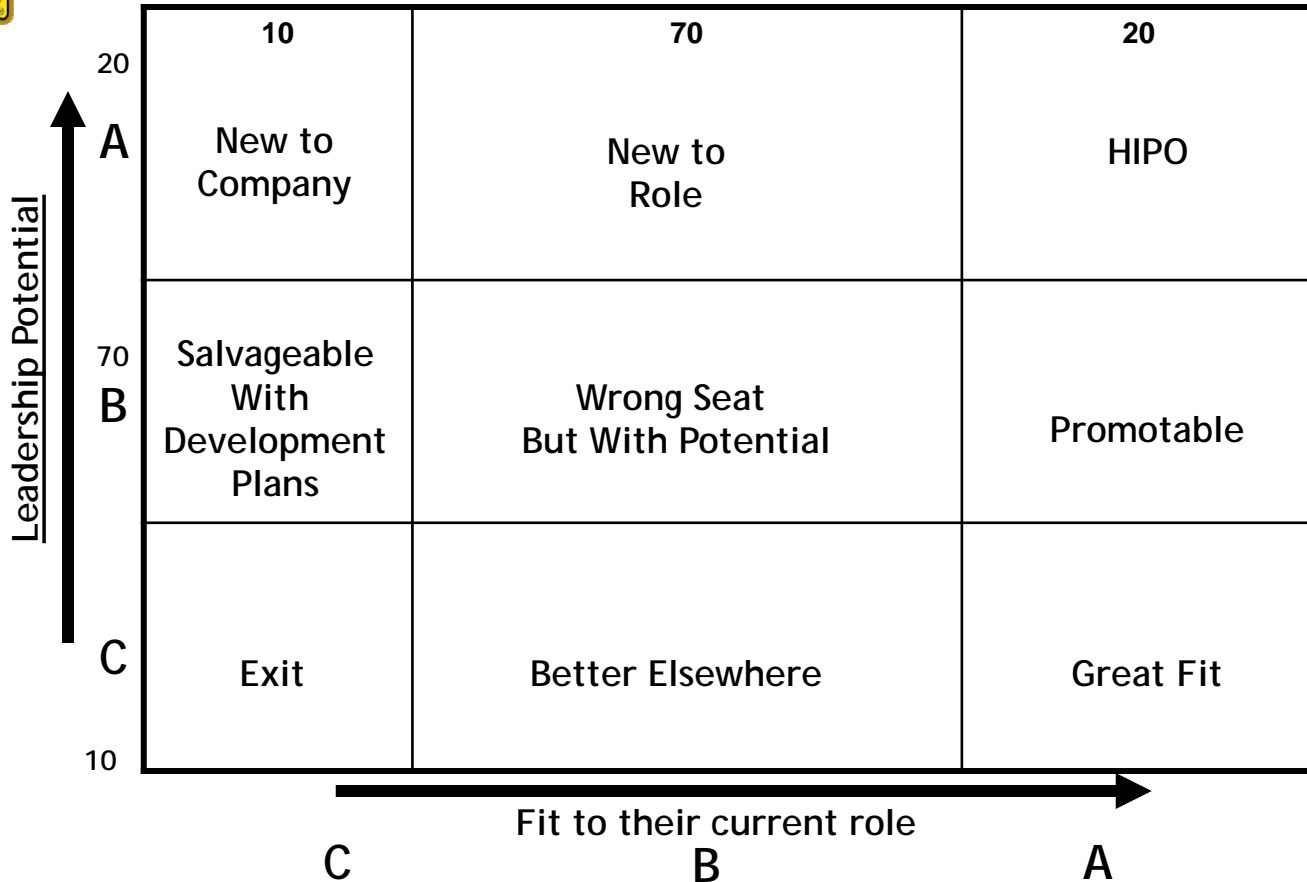


Family/Shareholder Involvement Progression





Leadership Development Matrix



Questions?