



N.C.I. Solutions Limited

Playing Fair Can Get Rough-Part 1

By Michael Lobraico

*-The following is based on one of Michael Lobraico's clients, John Poole.
All of the names and telling details have been changed to preserve client privacy.*

After his brother James had finally agreed to leave the Poole family HVAC business for a career in animation, John thought he had cleared the path to his leadership. At last, he would be able to implement his green-energy strategy and remake the struggling generations-old business into the global leader he knew it could be. All seemed well until something he had not foreseen rattled his plan.

I was the one who instigated things. John, James, their parents Tony and Lucy, and their Uncle Stan and I were at a family council meeting to discuss a fair arrangement and plan for the transition and succession of the business from the current owners to the second generation.

John had kicked off that meeting by immediately launching into his vision for the company. Over the next couple of years James would be weaned off his sales role while he transitioned into his new career. In roughly five years, Kevin, the new green technology engineer John had hired, would assume John's role as VP Product Development, while John took over the CEO position from his father, who would then semi-retire and play only a part-time consulting role as well as chair the new advisory board.

As far as revenue went, John would grow their current \$10-million annual revenue to \$25 million in five years. And the product profile would be 90% green.

It was a compelling vision. And there wasn't anyone in the room who didn't believe John was capable of pulling it off, me included. The problem, as I saw it, was that not everyone was in the room.

When I asked about Sarah, John's 22-year-old younger sister, John said she was in the middle of her first year law exams.

I explained to everyone that one crucial guiding principle for family council meetings like this is that everyone be included.

John responded that Sarah was very familiar with his vision and was onboard with it. "Whatever arrangement we work out with James, we'll do for Sarah. It'll be fair that way. Neither one of them is going to play an active role in the business."

"How do you know Sarah won't want to work here?"

"She wants to be a lawyer."

"Maybe she wants to practice law here."

"We don't need full-time counsel."

"Maybe so," I said, "but we should hear what Sarah thinks."

The patriarch Tony waded in. "Sarah's going to be busy with exams for another three weeks, and we've got our accountants and legal team lined up for next week to get the paperwork started."

"You might have to redo all

the paperwork," I said.

John insisted I was raising a non-issue that was just going to slow them down and possibly cost them vital time and energy that could be put toward his new strategy. The truth is, I too suspected Sarah had no desire to join the family business, but I had seen too many family businesses damaged by breaking the *include everyone* principle.

"If you go too far down the road without Sarah," I said, "you could start another rift in the family, which would hurt everyone personally as well as put a strain on the business."

Lucy spoke up. "I don't want any more tension between you kids. And Sarah should be heard."

"I don't care about titles. I care about making this business bigger and better than it ever was."

In the end, John relented.

Before the whole family met the following month, I was expecting everyone would be annoyed with me once Sarah confirmed she was seeking a career in law outside the family business. As it turned out, I didn't have to worry about any backlash. Sarah shocked everyone with her announcement that not only was she going to specialize in green-sector law and had every intention of joining the family business in a few years, she also saw herself as co-president. Working side-by-side with her brother John to turn Poole HVAC into a world leader was her dream.

John went pale. "I'll find a place for you, Sarah, but I'm going to be CEO."

"Who says so?" Sarah looked to her parents.

"Nothing's final," Lucy said. "Whatever we decide will be what everyone wants."

"I know what I want, and I've given everything for this company," John said.

"You might know what you want, John, but you don't know how to get there," Sarah said.

"Now hold on a minute—"

"Be fair, John. Think about the business. The legal issues around the green-energy plan are going to be some of our biggest challenges. There are strict standards to conform to, and we're going to be particularly vulnerable to law suits. Your whole plan could come crashing down with a flawed contract." Sarah cited a few cases where green sector companies had gone under due to legal challenges. "I personally think we need to have the expertise to deflect those problems in-house."

"But acting as co-leader?"

"The legal and contract aspect of our business is going to be our competitive advantage just as much as our product innovation is. And frankly, I'm not going to beg to be co-leader, because I know it won't be long before you see that I should be running the company with you."

Personally, I was awed with Sarah's knowledge and confidence, and so was everyone else. Even John couldn't help smiling with pride at his younger sister's moxie.

With some trepidation, Tony asked John for his thoughts. We all knew his response was critical for the family, the business, and the ownership, and could derail our progress.

John sat back. He realized he'd met his match with his sister. "Fine," he said, "I'll make everyone this promise—if Sarah earns her way into a leadership position, I won't stand in her way."

"You'd be happy having me as your co-president?"

"I don't care about titles. I care about making this business bigger and better than it ever was. If doing that together is the best way, so be it."

If John was anything, he was a man of his word. Now what stood ahead for the Poole family was figuring out a fair arrangement that included a future in which young Sarah might play a starring role.

At the end of the meeting John thanked me for the valuable lesson. He now saw that making sure everyone's voice was heard was not only fair, but strengthened both the family and the business. He vowed to ensure future family councils included all members.

Over the next few months the Poole family and I worked with their team of lawyers and accountants to hammer out a transition and succession plan. And during that period, as John got deeper into his green strategy, he saw that Sarah was right. Mastering the legal issues would indeed give their business a crucial competitive edge. In fact, he saw a major market opportunity for the expertise they developed in house, which made him think that, rather than planning for just \$25 million in revenue in five years' time, they should plan for \$30 million.

Michael Lobraico is the founder of NCI Solutions, a company specializing in helping family businesses maximize their potential. For further information, visit his Web site at www.nci-solutions.com.

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