

Talk, plan, do - a guide to business succession and exit.

Executives & Entrepreneurs

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- Crafting a business succession or exit strategy can be one of an entrepreneur's best investments.
- Building on conversations with clients around the world, we aim to help business owners decide which of four general paths best suits their business, family, and goals.
- The four paths we explore are:
 1. Transferring the business to family.
 2. Selling the business privately.
 3. Selling the business publicly.
 4. Closing and liquidating the business.
- We begin to explore potential questions that incumbent entrepreneurs can ask their successors—whether the next generation of the family or external stakeholders—to promote open, dynamic communication that improves succession planning and execution.
- We stress three key ingredients to a successful succession or exit: intergenerational communication; a common family focus; and a shared meaning of equality, equity, and fairness.



Source: Getty Images

Crafting a business succession or exit strategy can be one of an entrepreneur's best investments.

Whether a company is young or old, prudent succession planning can maximize value, minimize family tension, enable the seizing of new opportunities, and preserve a

legacy. You can explore each of these four reasons for devising a succession or exit strategy [here](#).

In practice, however, traditional succession approaches can be complex.

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In this paper—and subsequent research—we help business owners and entrepreneurs navigate the succession planning terrain as they consider which of four general paths best suits their business, family, and goals.

For each path we stress the importance of three ingredients for a smooth business succession or exit.

First, we explore intergenerational communication and provide entrepreneurs with some guidance on how to go about it.

Communication matters because succession planning is an incomplete description. A successful business transfer involves three phases, not one:

Succession talk. Succession planning. Succession doing.

Entrepreneurs may be drawn to the doing or execution phase. They may focus on a few key questions: Will my heirs run the business well? Will I achieve the sale price I want?

But without communication, without the “talk” phase around sensitive topics such as transparent decision-making, intergenerational control, and the family’s future beyond the founder’s lifetime, even the best-laid plans may fail.

Second, we stress the importance of setting a shared family focus and consider how a chosen route could draw a family closer together or amplify differences.

Third, we highlight the importance of equality, equity, and fairness—topics that experience has shown are some of the most common and contentious issues for private family businesses planning for their futures. We discuss how treating relatives equally may not be equitable or ultimately conducive to ensuring family harmony.

In subsequent pieces, we’ll explore potential questions that incumbent entrepreneurs can ask their successors—whether the next generation of the family or external stakeholders—to promote open, dynamic communication that improves succession planning and execution.



Source: Getty Images

Path 1: Transfer the business to family

- Listed family businesses generally outperform non-family ones and global stock markets alike thanks to, among other things, their long-term focus on revenue growth and profitability.
- Yet 85% are not passed down to the next generation, typically as a result of unresolved disputes or insufficient mentoring of the future generation.
- A successful business transfer depends on succession talk, succession planning, and succession doing. Open and dynamic communication between family members is critical.
- Shared family goals, clearly defined roles, and formal governance structures can maximize value, minimize tension, and disentangle business matters from personal ones.
- When it comes to inheriting wealth, each family will need to build consensus around its own definitions of equality, equity, and fairness.

Family involvement can be a business’s biggest strength, but also its greatest weakness.

Numerous studies show that family businesses tend to outperform peers. An analysis of the public family firms from the 500 largest public and private ones (where the family owns at least 32% of the shares and voting rights) indicates they generated an annual excess return of 3.5% versus global equities between 2000 and 2018.^[1] Reasons include their long-term focus on revenue growth and profitability, lower-risk funding structures, and greater investment in research and development.^[2]

But the theory that families work for their collective good is not universally borne out in practice. One study found

that 85% of family businesses are not passed down to the next generation because there has been too little planning for defusing family disputes, or for preparing successors to become successful owners and managers.[3] Obstacles to successful transfer include a lack of transparency around decision-making; an inability of prior generations to cede control to the next generation; and an overreliance on formal documents like wills, trusts, and expressions of wishes whose contents may only come to light after an emotive family event such as death or incapacity. Other research suggests that succession difficulties among Chinese business-owning families are connected with the loss of more than half the market value of their publicly traded business.[4]

The decision to pass on a successful business to family members is not one that should be made lightly. Even if an incumbent has identified, educated, and promoted a natural heir or heirs, the emotional aspects of family ownership require careful consideration and—in some cases—years of planning.

What are some of the key steps related to discussion, planning, and execution that should be taken prior to a family business succession?

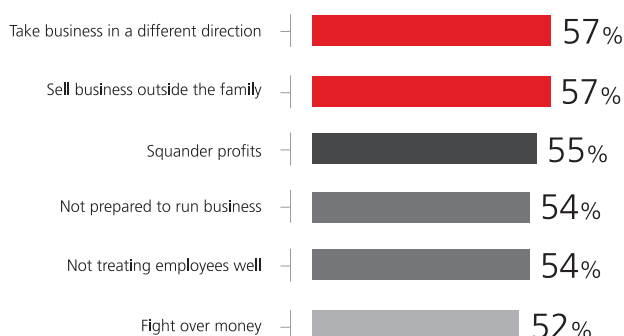
1. Prioritize open and dynamic communication.

Discussions between incumbents and their families cannot start too early. In some instances, family business owners talk about succession years or even decades beforehand. Talking can help to resolve reservations about passing a business to family members. A 2018 UBS Investor Watch survey found that 57% of business owners were reluctant to retire and pass on their company because they were concerned family members would take the business in a different direction, or sell it outside the family (**Fig. 1**).[5] Communication should be continuous. One conversation at a specific moment in time cannot address all the operational issues confronting an ever-changing business. Nor can a single discussion account for a family's evolving financial needs or personal circumstances. Ongoing communication also encourages the following generations to seek the counsel of family (who can offer a wealth of experience and institutional knowledge) rather than look for answers elsewhere. Tools to build effective communication include forming an independent board of directors or drawing up a formal family constitution. Asking the right questions is also critical. Throughout this piece we suggest potential questions for business owners to consider with relevant stakeholders. We present these questions in a separate appendix. And we shall further develop such discovery questions in subsequent research.

Figure 1: Open communication can help business owners carry out a succession to family

Question: What is holding you back from retiring and passing the baton to the next generation?

Percentage highly worried about what family members will do



Source: UBS Investor Watch, data as of 8 February 2018.

2. Formalize a family mission. Building a uniting—and united—family purpose is especially important as families become larger and more diverse. A credo can provide points of agreement and common ground that can help when resolving competing claims between, for example, owners who may want to extract earnings from the business and operators who want to retain them for investment and growth. A robust vision can support a transition from a “family enterprise” to an “enterprising family,” one that diversifies its commercial, personal, philanthropic, and cultural wealth beyond the legacy business.[6]

3. Set clear family roles with scope for growth. The likelihood of one totemic family leader passing the whole concern down to another diminishes as families grow. The model of “family businesses as systems” (as developed at Harvard Business School in the 1980s) suggests mapping each family member to three independent but not exclusive systems: family, ownership, and business (operations).[7] Each group may have its own leader, with one heir perhaps naturally suited to running operations and another to managing a family's non-business wealth. The model clarifies inherent tensions and sets boundaries so that family members are less likely to “stray from their lanes.” It can be easily updated as the family passes through the phases of its succession plan. Expertise gaps should be filled with professional advice around family governance, building a family office, or strategic philanthropy.

4. Consider equality versus equity of inheritance and build a dynamic plan. One of the most common—and potentially most destructive—challenges is how to distribute inheritance fairly. It may seem “fair” to split a family's total wealth equally, but in many cases this approach can actually hinder the family's long-term goals.

For example, diluting business ownership across multiple generations, including those with no operational role, could lead to inefficient decision-making that maximizes personal gain over commercial profitability. Some family members may need more short-term liquidity than others, so an “equitable” approach—seeking to distribute resources based on each family member’s needs—may be another approach to consider. However, in practice equitable wealth transfers will often appear fair in the planning phase but become unfair later; for example, business assets may appreciate in value at a rate that is different from that of financial market assets.

Professional valuations, a holistic strategy for a family’s total wealth, and regular rebalancing may be needed to account for one child having business control and invested “sweat equity” while other children and more distant relations benefit from real estate assets or the returns from a financial portfolio.

Initial questions for incumbents and successors:

- *Why does the family business matter to us, and are our reasons all the same?*
- *How can we use tools like a family charter or family governance model to launch open, objective conversations about our wealth?*
- *How do I move from a “monarch” business owner to a “mentor” wealth manager for my wider family?*
- *Where are we all situated within a “family-owner-operator” model, and how do we reconcile our different objectives with the greater good of the family unit?*
- *What is the most effective way for a next-generation member to build their own business/career within the wider family business/family wealth orbit?*

External view: Insights from private business owners

Passing the business to family is the *only* viable path for some members of the UBS Industry Leader Network*. These business owners described the business as the “lifeblood” of the family, with family business, identity, and purpose becoming inextricable from one another. Business decisions align with the long-term goal of keeping the business within the family—whether, for example, by avoiding debt, or by following a very disciplined reinvestment strategy that looks through short-run crises.

For many other members of the network, passing the business to the family is a question of timing. Some did not consider intergenerational transfer because heirs were too young to take over. But entrepreneurs saw the “silver lining” of being able to instead hand their firm over to minority shareholders, ensuring familiarity with the business and continuity of operations.

Members are mindful that starting a family succession plan may put undue pressure on children and create a perceived obligation to join the firm. One approach is to allow children or heirs to complete their studies and gain external experience before beginning succession conversations. At the same time, it can be important to build robust hiring and retention plans for non-family employees to ensure the continuity of senior management. Only after family successors have shown their particular talents and competencies may it make sense to identify possible matches between business needs, skills, and shared values.

**The UBS Industry Leader Network is a global group of UBS clients and prospects who are private business owners and executives. Their views may differ from those of UBS.*



Source: Getty Images

Path 2: Sell the business privately

- Business owners don’t necessarily have to sell a business (or even part of it) if they want to raise capital, bring in fresh ideas, or free up time for other activities.
- The steps required to make a private sale depend heavily on the type of prospective buyer sought.
- The closer the relationship between the business owner and prospective buyer, the greater the likelihood of lighter preparation, smoother business continuity, and long-term stewardship.
- While sales to unconnected parties may yield higher sales prices, different types of buyers may vary in their timeframes, willingness to cut costs, and corporate capital management.

A complete sale to a business partner or to a competitor in the trade is not the only option for private sale.

Business owners unwilling to cede control but keen to raise capital for their personal expenditure could employ a dividend recapitalization strategy. In this approach, their company takes on debt and uses the proceeds either to pay a special dividend on the business owner’s shares or to buy

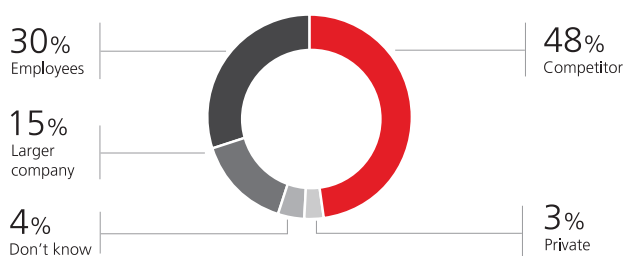
back and cancel some of the business owner's shares while paying them the proceeds.

Some entrepreneurs may decide to pursue a change of control, selling only part of their stake and becoming a minority shareholder. They may be seeking funds for growth or structural transformation, or simply looking to release liquidity. The decision to favor one buyer over another may depend on the non-financial skills offered. These can include operational expertise, access to a strategic deal pipeline, or a track record of improvement in financial performance. A partial sale may also give a business owner the time and financial capital necessary to become a passive owner or manager. From there, they may begin a new venture or take their first step in transitioning to retirement.

Who the business's eventual buyer is will heavily influence the necessary steps the business owner must take to make the concern fit for sale. A 2018 UBS Investor Watch survey found that nearly half of respondents planning to sell identified a competitor as a prospective buyer, followed by employees and a larger company (Fig. 2).[8] Sale to a close party—a business partner or partners, all familiar with the business—may require the least preparation. That said, using the years before sale wisely will be critical to success. Steps to take could include disentangling personal and commercial wealth; finalizing the terms and financing of a buy-sell agreement; and preparing key stakeholders for the transition.

Figure 2: Surveys suggest business owners frequently favor competitors as their most likely business buyer

Question: If planning to sell, who is the prospective buyer?



Source: UBS Investor Watch, data as of 8 February 2018.

The process of selling a business to managers or employees might appeal to certain entrepreneurs. Generally sellers have greater control over the sale process than with an outside buyer. The terms of financing the deal may also be more flexible. The use of vendor loans, in particular, can help outgoing business owners both with cash flow and with the gradual accumulation of financial assets to replace their business equity, as they move from owner-manager to advisor to purely financial investor.

Two notable differences between a management buyout and an employee ownership scheme are business funding risk and future productivity.

Managers may raise external debt to fund a full buyout from the outset. The outgoing owner receives their full sum (minus any future earn-out provisions). But, in doing so, they may leave their former business with substantial gearing and in the hands of owners who potentially prioritize debt repayment over productivity-enhancing investment, and a swift exit over long-term stewardship.[9] By contrast, there is some evidence that employee ownership schemes typically take a farsighted view, investing more in the business and boosting its productive potential.[10] And employee ownership (in particular those setups that enable workers beyond senior management to take a stake in the business) may be worth consideration, as well. For example, US-based companies may be able to set up an Employee Stock Ownership Plan (ESOP) strategy, which can offer various tax benefits to employees, the selling shareholders, and the company.

On the other hand, sales to unconnected parties—whether to a trade buyer seeking to find synergies, or to a financial private equity buyer experienced in restructure and resale—may yield a higher potential sale price. This path, however, also demands significant work prior to sale and may entail considerable costs and risks.

What are some of the key steps related to discussion, planning, and execution that should be taken prior to a private sale?

1. Prepare (and professionalize) to provide relevant buyer information. Private buyers will likely demand that target companies provide administrative, financial, and, increasingly, sustainability data.[11] For some these data demands will require increased professionalization of business records, a process that can take time and resources. A UBS survey concluded that 58% of respondents had never had their business formally appraised (Fig. 3).[12] A founder may need to provide three years of audited financial statements, details of discretionary personal spending, an account of senior manager compensation, revenue and capital spending forecasts for the next three years, the latest corporate tax return, and copies of any formal offers or valuations from the prior three years. Seeking professional advice early, as well as insights from networks of fellow entrepreneurs who have already made a private sale, can be invaluable.

Figure 3: A sizeable share of business owners may be ill-prepared to sell their business

Question: How far along are you in the process of readying your business for a sale?



Source: UBS Investor Watch, data as of 8 February 2018.

2. Agree with key stakeholders—including family—on how much control will be retained. Business owners may have fewer opportunities to retain control or to secure a managerial role in a trade sale versus a financial one. Competitors may prefer to install their own management and company culture as quickly as possible to speed up the assimilation. Financial buyers—whether private equity or family offices—may allow entrepreneurs to move into roles of chairperson or senior advisor for continuity reasons (and also to align incentives). In both instances a business owner must seek consensus from key stakeholders—especially family—on common control aspirations. In the event of a loss of financial control, it will also be vital to carefully consider how the change in ownership affects financial goals, especially if it involves a shift from business as income generator to business as source of capital gains. Building a well-diversified investment portfolio in advance of a sale can replace lost income, while potentially providing diversification. Early exploration of strategic lending options, including against illiquid business equity, may give business owners greater flexibility in terms of accessing liquid funds with which they can prepare a business for sale, seed post-sale opportunities, or fund consumption during the transition period.

3. Consider how much change each buyer will drive and prepare stakeholders accordingly. Corporate change is inevitable following a sale. But business owners can expect the extent and nature of change to depend on the type of buyer whom they eventually choose. Trade buyers with existing (or competing) operations may be more likely to cut costs through redundancies. A loss of corporate culture may also follow. By contrast, financial buyers like private equity may cut costs first by divesting of non-core units that do not overlap with their existing competencies and portfolio. Family office buyers, whose investment horizons may be longer and investment roles more passive, may pursue a less interventionist or more gradual approach to cutting costs. Consider how the type of buyer will impact the extent and nature of the change through the eyes of the employees. Doing so can help business owners determine the type of buyer who will best align with their preferences and values.

Initial questions for incumbents and successors:

- *Does an outright private sale match each generation's business, family, and financial objectives?*
- *As a next-generation family member, how will a private sale affect my career and my wealth?*
- *Would our business and family be well served by selling to those who know our business best—managers, employees—or do we need fresh perspectives from outside?*
- *How would an external sale impact the business's talent retention, its standing in the community, and our family's legacy?*

External view: insights from private business owners

Several members of the UBS Industry Leader Network* stressed the need for flexibility and open-mindedness toward private exit routes. Having several options in hand provides healthy competition and motivation to achieve the best deal terms.

Other members of the network noted the importance of placing themselves in the shoes of a potential acquirer. By considering the strengths and potential gaps an acquirer may have, companies can better position themselves to fulfil potential acquirers' needs and make themselves more alluring as a target. Placing future possible buyers within the company's stakeholder group—customers, employees, and family members—may result in a stronger commercial offering and enable the company to fetch a greater value at sale.

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Source: Getty Images

Path 3: Sell the business publicly

- Taking a business public is one of the paths least frequently taken by small- and mid-sized business owners.
- The public route may not suit all private business owners or entrepreneurs. The financial implications of a public sale can come at the cost of significant preparation, far greater scrutiny of how a company is run, and a material loss of operational control.
- While family-run firms have some tools available to help them retain financial and operational control after a listing, business owners may need to consider what going public means for the family's non-financial wealth and shared vision.

Selling a company through an initial public offering (IPO) can be one of the highest-profile ways to exit a private business. This approach has both drawbacks and potential advantages.

Going public requires considerable pre-deal collaboration with professional advisors, including lawyers, accountants, investment banks, and tax specialists. Business owners should consider the costs and time commitment needed to pursue this approach. A public listing will likely lead to a loss of business control, significantly higher scrutiny of operations, and open up managers and former owners to greater liabilities in case of adverse developments. The public route might further prompt business owners to question how much control they wish to retain over their former company.

Conversely, public companies will have access to a significantly enlarged capital pool. Access to new markets, the product marketing that a public listing can create, and

previously unattainable employee talent may have favorable operational and financial consequences. The wealth created from a public sale can enable founders and their families to take on new roles, ranging from serial entrepreneur to philanthropist to wealth manager. Adjusting to a new role beyond a public sale can take considerable time and demand flexibility.

Special purpose acquisition companies (SPACs) offer an alternative approach to a conventional IPO for founders seeking to go public. Although SPAC supply had moderated at the time of writing, first quarter 2021 supply of USD 93bn overtook the 2020 total and compared with USD 27.5bn raised from 69 IPOs.^[13]

Differences between IPOs and SPACs that may influence intergenerational dynamics include:

- **Certainty around deal pricing:** An IPO's terms are subject to amendments that are dependent on economic and market conditions, the success of book building, the reaction of cornerstone investors, and other factors. An adverse first-day market response to the IPO, indicated by a low or negative initial return, can lead to public reputational damage to (and negative wealth effects for) the founder, their firm, and the underwriters. A SPAC's terms are negotiated in advance and behind closed doors, providing potentially greater certainty and privacy, but may come at the cost of getting a lower price than through an IPO. Business owners and entrepreneurs may be swayed to follow one approach over another if their family's financial objectives are fixed or comparatively flexible.
- **Ease of founder exit:** Founders looking to divest stock may need to consider the public and market perception of a sale, especially in the first 12–18 months after an IPO or merger with a SPAC. Business owners seeking a quick exit may be better placed to pursue a private sale to a trade or strategic buyer, rather than risk the negative market reaction from a major insider sale. While financial institutions may be prepared to lend against stock holdings to meet liquidity needs, required regulatory disclosures in some jurisdictions may still prompt the company's stock to decline. The private negotiation process involved in SPACs can offer more flexibility for founders to sell their positions sooner, but it can also impact the relationships with SPAC sponsors or "PIPE" (Private Investment in Public Equities) participants. A well-considered and flexible liquidity plan (drawn up with a professional adviser and the relevant stakeholders far ahead of a deal) and advice from professional external experts will be essential to finding the right exit strategy for the whole family and their short-, medium-, and long-run funding requirements.

- **The ability to attract long-term investors:** Typically the IPO book-building process will seek to allocate shares to a broad group of fundamental or institutional investors. Many such investors will likely have a long-term, buy-and-hold view, providing the company with a stable and committed shareholder base and possibly a future source of capital. SPACs may offer a committed shareholder base through substantial allocations in PIPE investment, but this base tends to be made up of only a handful of investors who number far less than in an IPO. The size of cornerstone PIPE investments (upwards of 10–20% of the total equity) can potentially influence voting but also carries significant levels of risk, notably concentration and potentially liquidity risk.

What are some of the key steps related to discussion, planning, and execution that should be taken prior to a public sale?

1. Business owners should consider the drawbacks of a public sale and the scrutiny it can attract. A public sale will close certain doors for business owners and their families. Increased public scrutiny and regulatory disclosure requirements will result in a loss of privacy and even increase potential personal liability or legal risks. A public company's stakeholders may place performance pressure on the firm, requiring a shift in corporate culture away from long-term stewardship toward so-called "quarterly capitalism." Founders and their heirs will likely have to forego some business control, making it harder for families to perpetuate their involvement, shape the company's culture, and grow their socioemotional wealth. And business owners should seek robust estimates of how much a public sale might cost prior to any liquidity event, including building a solid investment or borrowing plan to cover such expenses.

2. Business owners should prepare and reposition their—and the business's—focus. Founders will need to professionalize and fully document their operation's financial, personnel, operational, supply chain, and ownership structures. Preparedness for formal auditing and valuation rounds will be essential. And founders should arrange to pass over their business-as-usual managerial responsibilities to free up time for investor roadshows in the months and even years preceding the sale. Entrepreneurs may be adept at running a company but less well-equipped to pitch it to others without making their own investment in education, training, and presentation skills.

3. Consider carefully how business control will change after going public, including potential ways to retain it. One option would be to limit the number of shares sold, both initially and in follow-on offerings. Another would be to explore dual listing options, where one class of "founder" shares enjoys higher voting rights but equal cash flow rights compared with ordinary stock. A third option could

involve the creation of a holding company and the listing of the operating business as a subsidiary. In any of these instances, professional advice will be key to ensuring the business owner's decision meets their own needs and the requirements of the market (including the growing body of sustainable investors who may frown on dual listing for corporate governance reasons.)

4. Evaluate the ability of family members to run the company compared with external professional managers. The ability and willingness of family members to take over a family business is a crucial ingredient to continued commercial success. But the skills required of the next generation may differ from those exhibited by the founders. Once a company reaches a certain size, the entrepreneurial flair and independence that were critical attributes for the initial success may need to give way to managerial talent more adept at running larger, more complex organizations and coordinating across multiple stakeholders (shareholder, regulators, etc.). In order to attract the latter type of talent (if not already present within the family), a publicly-listed business can have an edge over a privately-held firm. The former enables greater flexibility in establishing market-based compensation structures, and offers the prestige of managing a public company. Consequently, consider holding open discussions and making objective assessments of family members' qualifications to run a large, complex company prior to considering a listing. It may also help to engage in preparatory work on the skills gaps and potential external managerial hires needed for post-IPO success.

Initial questions for incumbents and successors:

- *Is the incumbent prepared to cede control to public markets and bare the company to the attendant scrutiny or would they rather retain control?*
- *How long will it take to prepare the business for a public offering, and who can cover day-to-day operations during this period?*
- *Are there sufficient liquid financial assets to cover pre-, intra-, and post-deal expenditures or even to set up new ventures after the listing?*
- *If going public closes off employment opportunities for the next generation, do they have the skills and motivation to take on other roles (wealth manager or philanthropist)?*
- *How will a public listing affect the family's non-financial wealth, and in what other ways can a family continue its legacy?*
- *Will a family's plans be expanded or constrained after a public listing?*



Source: Getty Images

Path 4: Close and liquidate the business

- Data suggests family-run firms may favor merger or liquidation over an outright sale in order to preserve socioemotional wealth.
- The decision to liquidate may preclude the next generation from driving or contributing to a family business, and the realized liquidity will likely be less than other exit routes offer.
- While liquidation often happens because of unexpected changes in circumstances, making contingency plans for liquidation can help to minimize intergenerational tensions.

Business exit or succession paths often mark the end of a founder's full involvement, but the beginning of a new phase for the firm. The decision to liquidate a business, by contrast, is far more final.

Non-family firms are more likely to liquidate than family concerns. One study of more than 30,000 privately held Swedish companies found that family-run firms would rather explore a merger over a dissolution that could result in the loss of socioemotional wealth (SEW), with an outright sale being their least favored option.^[14] Families consider both financial wealth *and* SEW, or the non-financial benefits of owning and running a business. Business liquidation can destroy SEW; for many, wealth is more than just money.

Liquidation can be driven by simple economics. Trends such as automation, the rise of the digital marketplace, and stricter environmental scrutiny have historically triggered a number of commercial casualties. Cheaper, more scalable tools of industrialization may provide new opportunities for entrepreneurs to reinvent obsolete businesses. But not all entrepreneurs will be prepared to make this commitment.

Liquidation may sometimes be the only sensible response to extreme distress that can take various forms, among them business bankruptcy, ill health, or market disruptions.

Liquidation may be spurred by family considerations. Entrepreneurs who do not have a natural successor may conclude that starting afresh is the best way to "protect" the family name from adverse business developments.

What are some of the key steps related to discussion, planning, and execution that should be taken prior to a business liquidation?

1. Prepare key stakeholders for liquidation to minimize tension. Separating personal and commercial assets can reduce the risk of creditor claims that reach beyond the scope of the business. Creating a power of attorney or expression of wishes can smooth decision-making if a liquidation becomes necessary due to incapacity. Family constitutions or mission statements can also help prepare business managers and family members with objective guidance in a potentially emotional liquidation scenario.

2. Assess the potential costs of liquidation and the impact on personal wealth. Consider estimating administrative costs or estate taxes and setting aside funds in liquid assets to cover these expenses. Get a sense of how long it may take to liquidate a business. The longer and more complex the wind-up process, the higher the risk that creditors will need to be settled using non-business assets. Careful cash flow planning can ease pressures to sell productive assets.

3. Learn about liquidation from peers. Consider using business-owner networks to share best practices with those who have already gone through a business liquidation. Shuttering a business may be emotionally charged, potentially leading to poor decisions. Fellow entrepreneurs can provide suggestions about alternative paths, or even provide fresh capital to continue operations.

Initial questions for incumbents and successors:

- *For incumbents with a young family or no apparent heir, are there contingency plans in place for a business liquidation, or could trustees manage the business before heirs reach maturity?*
- *Has the wider family built up sufficient wealth outside the business to provide for cash flow, lifetime, or legacy needs that may crop up before they find alternative employment or set up a new business?*
- *Would business liquidation impact other family enterprises in terms of inter-company sales, shared services, or financial dependencies?*

- Have incumbents explored all options (e.g., renegotiating with finance providers, seeking collaboration with peers, or even finding a strategic buyer) before liquidating a business?
- Would liquidating a business negatively affect the next generation's ability to set up their own businesses?

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[3] "Correlates of Success in Family Business Transitions," *Journal of Business Venturing* 12.285-501 (1997), quoted in Leibell, D.T. "Succession Planning," *Trusts & Estates*, March 2011.

[4] Bloomberg News "A \$15 Billion Oyster Sauce Family Plots to Survive 1,000 Years," August 29, 2019, accessed 16 March 2021. Available at <https://www.bloomberg.com/news/articles/2019-08-29/a-15-billion-oyster-sauce-family-plots-to-survive-1-000-years>.

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[7] Kelin E. Gersick, John A. Davis, Marion McCollum Hampton and Ivan Lansberg, *Generation To Generation, Life Cycles of the Family Business*, Harvard Business School, quoted in Leibell (2011), op.cit.

[8] UBS Investor Watch Survey (2018), op.cit.

[9] Careful use of debt may not necessarily hinder long-term productivity and profitability. Some business owners and their advisors note that next-generation leaders can actually be spurred to greater efficiency and higher profitability by the presence of debt and the need to service it.

[10] Avondale "Employee Ownership Sale advantages over a MBO" March 10, 2021, accessed on 15 April 2021. Available at: <https://avondale.co.uk/employee-ownership-sale-advantage-over-mbo/>.

[11] For more details on sustainability data and how private companies can become more sustainable and profitable, please see Carter, M., Seimen Howat, M. and Flesch, P. *Three steps to becoming more sustainable...and profitable*, UBS

Chief Investment Office Global Wealth Management, 10 February 2021.

[12] UBS Investor Watch Survey (2018), op.cit.

[13] Draho, J. and Amaru, V. *Spring cooling for SPACs: Investment strategy insights*, UBS Chief Investment Office Global Wealth Management, 8 April 2021.

[14] Chirico, F., Gómez-Meija, L., Hellerstedt, K., Withers, M., and Nordqvist, M. 2020 To Merge, Sell, or Liquidate? Socioemotional Wealth, Family Control, and the Choice of Business Exit, *Journal of Management*, 46 (8), 1342 – 1379.

Quick card questions to start a succession or exit discussion

For entrepreneurs considering a succession...

- Why does the family business matter to us, and are our reasons all the same?
- How can we use tools like a family charter or family governance model to launch open, objective conversations about our wealth?
- How do I move from a “monarch” business owner to a “mentor” wealth manager for my wider family?
- Where are we all situated within a “family-owner-operator” model, and how do we reconcile our different objectives with the greater good of the family unit?
- What is the most effective way for a next-generation member to build their own business/career within the wider family business/family wealth orbit?

For entrepreneurs considering a private sale...

- Does an outright private sale match each generation’s business, family, and financial objectives?
- As a next-generation family member, how will a private sale affect my career and my wealth?
- Would our business and family be well served by selling to those who know our business best—managers, employees—or do we need fresh perspectives from outside?
- How would an external sale impact the business’s talent retention, its standing in the community, and our family’s legacy?

For entrepreneurs considering a public sale...

- Is the incumbent prepared to cede control to public markets and bare the company to the attendant scrutiny or would they rather retain control?
- How long will it take us to prepare the business for a public offering, and who can cover day-to-day operations during this period?
- Are there sufficient liquid financial assets to cover pre-, intra-, and post-deal expenditures or even to set up new ventures after the listing?
- If going public closes off employment opportunities for the next generation, do they have the skills and motivation to take on other roles (wealth manager or philanthropist)?
- How will a public listing affect the family’s non-financial wealth and in what other ways can a family continue its legacy?
- Will a family’s plans be expanded or constrained after a public listing?

For entrepreneurs considering liquidation...

- For incumbents with a young family or no apparent heir, are there contingency plans in place for a business liquidation, or could trustees manage the business before heirs reach maturity?
- Has the wider family built up sufficient wealth outside the business to provide for cash flow, lifetime, or legacy needs that may crop up before they find alternative employment or set up a new business?
- Would business liquidation impact other family enterprises in terms of inter-company sales, shared services, or financial dependencies?
- Have incumbents explored all options (e.g., renegotiating with finance providers, seeking collaboration with peers, or even finding a strategic buyer) before liquidating a business?
- Would liquidating a business negatively affect the next generation’s ability to set up their own businesses?

Appendix

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