

William E. Hesch, Esq., CPA, PFS

William E. Hesch CPAs, LLC & William E. Hesch Law Firm, LLC

3047 Madison Road, Suite 201, Cincinnati, Ohio 45202

bill.hesch@williamhesch.com

Office 513-731-6612

heschcpa.com & heschlaw.com

- 3) Failure to put legal documents in place to allow key persons to take over new responsibilities and designate who will be the President if Owner/President dies or becomes disabled.
Action Step:

YES	NO	N/A

Exhibit A P. 4-5

- 4) Failure to provide development training for key persons to take on new roles and responsibilities if Owner/President dies or becomes disabled.
Action Step:

YES	NO	N/A

Exhibit A P. 2

Exhibit A P. 10

William E. Hesch, Esq., CPA, PFS

William E. Hesch CPAs, LLC & William E. Hesch Law Firm, LLC

3047 Madison Road, Suite 201, Cincinnati, Ohio 45202

bill.hesch@williamhesch.com

Office 513-731-6612

heshcpa.com & heschlaw.com

- 5) Failure of Owner/President to communicate with key persons the projects/problems currently working on so that key persons know what to do if Owner/President unexpectedly dies or becomes disabled.

YES	NO	N/A

Exhibit A P. 1-4

Action Step:

- 6) Failure of Owner/President to lead key persons in preparing a Business Plan for coming year as well as identify long term goals for Business.

YES	NO	N/A

Exhibit A P. 10-15

Action Step:

William E. Hesch, Esq., CPA, PFS

William E. Hesch CPAs, LLC & William E. Hesch Law Firm, LLC

3047 Madison Road, Suite 201, Cincinnati, Ohio 45202

bill.hesch@williamhesch.com

Office 513-731-6612

heschcpa.com & heschlaw.com

- 9) Failure to identify changes in Organizational Chart if Owner or key persons die or become disabled or in future years if Owner/President plans to reduce hours working in business.

YES	NO	N/A

Exhibit A P. 14

Action Step:

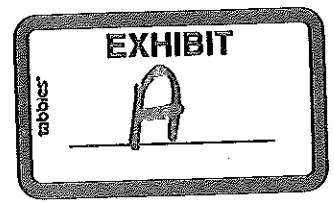
- 10) Failure to plan for the Business Owners financial security which may be dependent upon financial success of his successor.

YES	NO	N/A

Exhibit A P. 4-5

Action Step:

Exhibit A P. 7



Session 2

Succession Planning for Small Business Owners

Business Owner/Key Person Disability Checklist

(Car Accident / Surgery)

William E. Hesch, Esq., CPA, PFS
3047 Madison Road, Suite 205
Cincinnati, Ohio 45209
Office 513-731-6601
www . heschlaw . com

1) Name each key person:

What are each key person's responsibilities?

A) Daily

B) Weekly

C) Monthly

D) Annually

E) Strategic Planning/Responsibilities for next year. What changes need to be planned for next year?

2) Listing of Open Projects - Update monthly for each key person.

A) What projects are currently pending - next week/month?

B) What projects are to be done after next month?

3)

Are key employees trained and fully informed to take over responsibilities being assigned? If not, what steps to take to get them trained and fully informed?

4) What do I need to do over next 60 days?

A) Organize my client projects. Update monthly.

Current - this month.

Near Future - over next three months.

B) Outline my daily/weekly/monthly key responsibilities.

1. How pay bills/payroll.

2. How billing is managed monthly.

3. List monthly activities to monitor/update or revise periodically. Marketing/New Client Set Up/Sales

4. Annual - Review insurance and my CPA/Law License.

C) Who to handle all emails and calls directed to me? Coordinate with office manager.

D) Who responsible for telling our clients/friends what happened to Bill and what message to send out to clients and friends.

5) Is legal structure in place to facilitate transfer of legal authority to run company to successor?

A) LLC - Member Managed or Manager Managed with Operating Agreement

B) Corporation - Officers - President/Vice President

C) Sole Proprietor - Durable Power of Attorney

D) Partnership - Partnership Agreement

6) Buy - Sell Agreement

A) Does disability trigger buy-out of disabled owner's ownership interest in business?

7) Review need/affordability of disability insurance.

8) If disability would be long term in nature, need to evaluate hiring person or persons to handle replacing key person temporarily.

9) Where are all financial records kept and how to get access to paid invoices / billings / collections over past few months.

10) Bottom Line - Plan for the Worst and Expect the Best

Secrets for a Successful Business Succession Plan

- 1) Communication is the #1 Key Factor for a Successful Succession Plan.

Why?

- A) Business Owners need to plan their succession and proper planning require proper communication.
- B) Business Owners need to put their road map together for their succession plan.
Would you travel across country without a road map?
- C) See Article and related attachments to use in getting succession plan started.

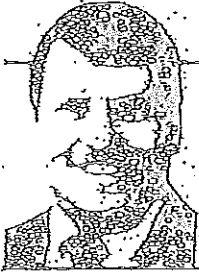
Business Succession Planning

Business Owners Need to Plan:

- 1) Determine where the Company will be in 5-10 years and how it will get there (establish some goals and high-level work plans).
- 2) Prepare a current organization chart.
- 3) Determine key employees.
- 4) Determine where those key employees will be in the next 5-10 years.
- 5) Identify weaknesses in the current and future organization charts and develop a plan to address those weaknesses.
- 6) Determine job descriptions, career paths, evaluation process and measures for current and future management.
- 7) Determine if there is a need for:
 - A) Estate Planning
 - B) Personal Financial/Retirement Planning
 - C) Business Planning

The Resulting Benefits:

- 1) Improve Company organization, direction, planning and management.
- 2) Improved communication within the Company between Owners and Key Employees.
- 3) Company personnel know where they are and where they are going.
- 4) Increased knowledge of future plans for business and personnel.
- 5) Closer bond between current and future company management.
- 6) Business Plan with increased profitability.



By WILLIAM E.
HESCH

SUCCESS STRATEGIES

Family businesses should plan management succession

A recent study found that only 30% of family-owned businesses survive the second generation. Many business advisers believe this statistic reflects the fact that most family business owners have not taken the time to plan for succession.

In most family-owned businesses, the owner wants the children to take over the business. However, both owners and children must leap many hurdles before they can achieve their common goal.

Typical problems for the children include competition, compensation, personal family problems, and parent-child relationships that carry over into the business. Problems for owners involve allegations of favoritism/nepotism, the retention of key non-family employees and the selling of the successor team's management style to the owner and the employees.

Communication is the key factor in the successful resolution of these problems and development of a sound management succession plan. The planning process must be structured to facilitate improved communication among all parties.

The choices and options available to the business owner, his family and other key management people are usually very clear. However, conducting an objective discussion on these matters can be very difficult. The business owner, his family and non-family management must openly and honestly discuss their different perspectives and, with the help of an experienced, unbiased consultant, develop a plan of action which allows input from all parties.

Business owners must not give up control of the decision-making process to their family and key management. The owner needs to retain the ultimate decision-making authority, but at the same time listen to family members and advisors and weigh all options. In the final analysis, the successors' points of view must be considered in some parts of the plan.

The first step in management succession planning identifies which family members, if any, desire to become president of the company or move into other key management positions. The purpose of this process is to identify where family members are within the organizational chart, what responsibilities they currently have, and what they see as their future roles in the company.

This process also needs to consider where the company will be in the next five to 10 years, and what family members hope to have achieved individually and collectively within this time frame. The family must focus on the overall organizational chart, identifying other key employees and their positions. In addition, the family needs to focus on the retirement of the owner and other key non-family members and determine how the organizational chart will be restructured after their retirement.

Once the family members have identified where they fit into the organization, it's time to identify what changes, if any, must be made in the near future with respect to non-family management. Key non-family management must address the same questions that were raised with the family members. It is imperative that

non-family management identify where they fit into the family's succession plan.

Most family businesses were built by an entrepreneur. Often the entrepreneur's leadership style is suitable for a small business, but not in a larger business with a more complex management structure. A more structured management style is usually required for the new management team to be effective as a team. Typically, the business owner will be uncomfortable with a more structured management style. In order to properly develop their individual management skills, the management team needs management and leadership training programs. Business owners should make this training a priority for key employees.

After the management team has been identified, it should prepare a business plan. Typically, family business owners have operated the company without a formal business plan. Thus, most owners need the assistance of an outside consultant to assist in establishing a strategic business plan that covers the next one-, two- and three-year periods.

The family business owner and his family usually want to minimize the estate taxes associated with the family business. The business is usually the most-appreciating asset in the owner's estate, and in many cases is also the largest asset in the estate. The business may be the sole source of the owner's financial security and retirement funds. Therefore, estate and retirement planning issues are critical to the management succession planning process.

After the company has identified the future management team and developed its strategic business plan, the estate planner can recommend alternatives that will minimize the estate tax burden and transfer the business to future management. (New opportunities for business owners to save estate taxes have resulted from the new tax law passed in October 1990.)

Family business owners should consider what parts of the business planning process identified above are relevant to their situation. The alternatives are clear, but the choices are tough. The business owner almost always needs a facilitator to organize the process and mediate the discussions. The facilitator may also be helpful in developing management into a management team.

As each family-owned business situation is unique, many alternative solutions are possible. ¶

William E. Hesch is a tax partner for the accounting and consulting firm Deloitte & Touche.

Business Succession Planning

- 1) Describe your current position in the company. What duties/responsibilities would you want to have:
 - A) If you died or became disabled?
 - B) In 3-5 years from now?
 - C) In 10 years from now?
 - D) What steps would you need to take in order to assume new duties/responsibilities over the next 3, 5, 10 years?

Business Succession Planning

- 2)
 - A) Identify which employees would be considered key employees in the business today.
 - B) If that key employee died, became disabled or retired, what plans should be made now to find their replacement?

Business Succession Planning

- 3)
 - A) Identify key weaknesses that currently exist in the operations/management of the company.
 - B) Identify what steps the company should take to correct/improve upon those weaknesses.

Business Succession Planning

- 4)
 - A) Identify the major problems that you believe the company currently faces, short term and long term problems.
 - B) What steps should the company take currently to face those problems?
 - C) What strategic long term initiatives should the company take to address its long term problems?

Business Succession Planning

- 5) Describe the current organizational Chart.
- A) If Owner died or became disabled, how would you restructure/change the organizational chart and management of the company?
 - B) If Owner died, retired or became disabled in 10 years, how would you want the organizational chart and management of the company to be structured?

Business Succession Planning

- 6)
 - A) What three recommendations would you make to improve the profitability of the company?
 - B) What three recommendations would you make to improve the profitability of the company over the next 3-5 years?