

The Rockford Family

Darren and Kelly have owned and operated ABC Machine Inc since 1992. Today, their company employs over thirty people, servicing customers across Canada. The rising gen, Jason, Sam, and Alex joined the business at a young age, after completing their trade certifications. Jason's wife, Mary, joined the business after marrying Jason, truly making ABC Machine Inc a family business.

Darren and Kelly have been very clear with their sons, that in the next five years, they would like to step aside from the business. They both feel they have earned the right to retire young and enjoy the fruits of their labor.

The Rockford Family is at a crossroads with their family and business life cycle. Difficult conversations, and tough decisions need to happen to ensure the successful transition of Darren and Kelly.

Some estate planning has been done to date. An estate freeze was conducted about 10 years ago, giving the three sons 10% minority ownership positions in the operating company.

Business:

Strengths:

- There is a great deal of respect and pride for the family's company - including its leadership. This provides significant patient capital.
- This Patient Capital will erode without changes to overall governance structures
- Current state of operations is strong with a committed and knowledgeable employee base
- A tremendous amount of goodwill and a strong reputation have been built over the last 29 years of business
- Current location allows for expansion
- Low corporate debt allows for investment if needed/desired
- Deep pride and admiration for the business's involvement in the community

Weakness:

- It is unclear how the current corporate governance structure holds management accountable - or drives succession
 - Several key roles both in the front office and on the shopfloor will need to transition in the next five years
- Lack of clear vision or agreed upon business strategy for growth
 - Are we in Harvest or Growth mode?
- There is confusion about the family employment (involvement) policy. Is it merit based, or entitlement based?
 - Questions and concerns around workplace accountability and compensation

Ownership:

Strengths:

- Highly committed ownership group that contributes time and effort to make effective decisions
 - Monthly ownership/financial meetings for the active shareholders
 - Willingness to step up in times of difficulty
- There is a desire from the individuals in the family to learn more about ownership and how to contribute to the greater good
- Some planning has already taken place to minimize tax implications and transfer ownership to the next generation
- Track record of business profitability
- Desire to keep the business in the family
 - Keeping it in the family depends on several variables
 - Some family members are unsure about assuming ownership
 - Selling to a third party is an option if it makes sense
 - Concerns around how a potential new shared ownership structure will function effectively

Weakness:

- No clearly defined shared vision or ownership succession plan
- Contingency planning is not well understood by the family. What happens if?
- No clear plan for the transition of decision making. Decision making is currently centralized in G1 with contributions from G2
- Risk appetite various across the family posing a challenge into developing a shared ownership vision
- Lack of understanding about the structure of ownership – current and future. What do we need to know? How does this impact us, individually?
- Various levels of financial literacy across the family
- Lack of understanding on how to best transition ownership – examples; gifting vs buyouts or a combination of both. What are our options here?

Family:

Strengths:

- Family has a deep level of caring and respect for each other and has a desire to spend more time together
- A strong sense of being part of something (Family Business has created a unique bond)
- Dedication to charity work and supporting local initiatives
 - Opportunity to formalize charity work with a family foundation
- Family meetings have been done in the past with success, a desire to continue these forums
- A family council has been established; however, the core purpose of the family council is not clear to the Family
- Outside advisors have been engaged in the past, displaying a commitment from the family to strive for excellence in their family enterprise

Weakness:

- A concern that the business is negatively impacting family relationships – and has the potential to worsen if succession planning and transition is not brought to the forefront
- Challenges with family dynamics and the many hats everyone is wearing ~ some past hurts not fully resolved
- Lack of understanding regarding Don and Karen's estate and contingency plan
- Various levels of financial planning across the family
- 5 out of the 7 family members work in the business (this poses a risk and an opportunity)
- Kelly and Darren's desire to retire (semi) from the business in five years has heightened anxiety among the family
- Unclear on a shared family vision and mission
- Concern about how ownership and management responsibilities with G2 will impact family relationships