



FAMILY BUSINESS

newsletter

A Different Kind of Vibe

Shannon Weston hasn't always been in the healthy foods industry, but it's something she's been passionate about for years. Her son suffered from health issues from the time he was born, and though they tried many different medications, nothing helped. After a celiac diagnosis at the age of 8, a friend recommended assessing his diet. Finally, they had found an effective solution that resulted in dietary changes for the entire family.

Weston began excitedly experimenting with healthy food options that her family of six would all enjoy. After leaving her stressful corporate job after 27 years — and with lots of encouragement from her kids — Weston decided to start her own business providing nutritious, fresh foods to the public. Vibe Foods was born.

Vibe Foods products are gluten free, dairy free, free of refined sugar, unprocessed, and full of nutrients, enzymes and minerals. Most importantly, they taste great!

“Owning your own business is a different kind of hard,” Weston said. “I worked long hours with a lot of pressure and quotas to meet in my corporate career, but I had others to rely on, like an IT team. As a small business owner, I had to learn accounting, how to fix a blender, and I'm presently covered in peanut butter! But I get to do something I believe in and spend more time with my family.”

Three of Weston's four children have worked at Vibe Foods running the cash register, promoting the business on social media and even creating recipes.

“If you want to start a family business, know that it can be hard, especially on a marriage,” Weston said. “Make sure you communicate and have boundaries between work and home. Know when to leave work at work.”



Weston is also passionate about her restaurants' impacts on the environment. Therefore, she sources eco-friendly packaging for all their products that are either recyclable or compostable, as well as providing recycling and composting bins in the store. While it costs the company four times as much to use these products, Weston believes the extra cost is well worth it. They have also invested in energy efficient equipment and purchase fresh produce from local sources. Vibe Foods has been ranked No. 1 by Alpine Waste and Recycling for adding the least amount of trash to the landfill. In fact, the company only throws out one small bag of trash per day.

“I didn't know anything about owning a restaurant when I started the business,” Weston, said. “I really relied on the team at Vectra Bank (an affiliate of California Bank & Trust) for help. They not only taught me about things like processing credit cards and cash flow management, but they encouraged me to get started. It was nice to have cheerleaders that gave me that extra push to be a business owner.”

Vibe Foods currently has a location in Lone Tree, Colorado, with plans to open additional locations in Parker, Colorado, and Memphis, Tennessee, in the coming year.



Should We Hold, Sell or Consolidate Ownership of the Family Business?

Navigating the Discussion and Decision Process

By Michael Fassler and Greg Greenleaf

The long-term vision of multigenerational continuity of the family's business is a common topic among our client families. Inevitably, the challenging discussion around "Should we hold, sell or consolidate ownership of the family business?" comes up among family members. What defines success is different for every family, but a key ingredient for both business continuity and family harmony is for family shareholders to be aligned in their vision for the family enterprise. Having a solid process in place to navigate the necessary discussions and decisions related to hold, sell or consolidate helps ensure a unified family and ownership group, regardless of the outcome.

Mindset Sets the Stage

Having an open mind to entertain conversations about the sale of the family business sets the stage for a good discussion and decision-making process. As diversity within an ownership group increases, being receptive to the "hold, sell or consolidate" discussion rather than "forever ruling out a sale" sends the message that the interests of the ownership group are being fully considered. Be accepting of the premise that selling in and of itself is not necessarily a negative result and, in the right circumstances, it can be very positive for both the family and the business.

For example, in the case of one sibling ownership group there was a history of divisiveness between

the “insiders” who worked for the company and the “outsiders” who did not. There was increasing pressure by the outsiders to consider selling the company. Once the discussion was opened, the realities around the sale were revealed including what it entailed and the impacts on the family. As a result, the sibling ownership group emerged unified on their vision for the future that provided the break-through for their ownership continuity to the next generation to go forward.

In an unfortunate case, a family whose business was in a rapidly consolidating sector refused to consider selling due to respect for the legacy. This resulted in “holding on until the end” amid a tremendous decline in enterprise worth before a sale became the only means to salvage some value.

Another scenario involves a large cousin-stage family business with several family members who simply wanted to go their own way. With the bulk of their individual wealth tied to the fortunes of their family business, these family members wanted to diversify their investments by selling their share in the family operating company. Their increasing demands to take more money out of the company was creating significant pressure on the operating company’s efforts to grow amid steep competition. The shareholders created a forum where they could openly discuss their viewpoints and agree to buy-out terms at a fair price that would also enable those who wanted to continue as stewards of their family business. This allowed this family to consolidate ownership and at the same time perpetuate the family business into the next generation. By creating a safe forum for difficult conversations and sticking to a clear process, the family was able to navigate competing visions while maintaining their harmonious family relationships.

Initiation of a Discussion

The initiative for a discussion can arise from an internal or external prompt. An example of an external prompt is when the CEO receives a letter of interest from a third-party prospective buyer. Having a process in place for responding to the request before the inquiry occurs helps prevent wasting energy and exposing the family business system to the risk associated with engaging in dialogue about a sale. The ownership group can provide their board of directors the guidelines under which they

would consider a sale. With this knowledge, the CEO is positioned to share the inquiry with the board. Then the board, on behalf of the ownership group, can decide whether the inquiry warrants further consideration. With this structure in place, the dialogue is contained at the board level for inquiries that do not fit within the guidelines and reduces the risk of anxiety within the family business system due to rumors about a sale. For an inquiry the board believes warrants further consideration, the ownership group can then be engaged in an appropriately structured way to consider it.

An internal prompt could come from the ownership group itself or arise from a strategic planning process undertaken by management. Internal prompts provide opportunities for ownership groups to engage in nonurgent discussions about selling the business. If the discussion leads to a point where a sale makes more sense than continued ownership by the family, sale options can be further evaluated in a structured way with the support of appropriate professionals. Another outcome can be that the ownership group affirms or renews their purpose for continuity within the family resulting in more commitment to make the investments necessary to execute the strategy. Whether an internal or an external prompt, a key is clarity throughout the family business system regarding ownership group intentions and expectations.



“Thanks, Pop, but today’s kids don’t want money, they want leadership.”

CartoonStock.com

Shared Vision

Having your family’s vision for your future well-articulated and periodically reviewed pays tremendous dividends when it comes to the discussion and decision about holding, selling or consolidating. A shared vision provides the context for the dialogue, serves as a benchmark against which to consider options, and creates the environment for more open discussions and creative alternatives. Straight-forward statements of what the family wants or intends provide essential guidance for the discussion:

- Our family’s preference is to maintain ownership of our business, but we will not rule out the possibility of a sale.
- We intend to keep a large portion of our family’s capital together and invest and manage it together whether we keep or sell the business.
- In addition to a reasonable financial return, we expect our family’s business to provide continuing opportunities for us to work together as owners, and for those interested and qualified, to work in the business.
- We will provide a choice to individual family owners regarding holding or selling their ownership interest and a mechanism to consolidate ownership that does not put the enterprise at risk when individual owners prefer liquidity.

Guiding Principles

Having discussion guiding principles in place prior to these conversations helps members be productively

engaged, keeps the meetings on track, and reduces the risk of a divisive outcome. Examples of discussion guiding principles that have worked particularly well for “hold, sell or consolidate” discussions are:

- We will speak with one voice to the board and management.
- We will recognize and respect diverse points of view.
- You must give to get.
- We acknowledge and will collectively care for individual family member needs and interests.

Important Steps for the Process

The “hold, sell or consolidate” discussion and decision process is normally charged with emotions and diverse viewpoints. To achieve a positive outcome, it is essential for all stakeholders to clearly understand each other’s roles and responsibilities: who has a voice; who has a vote; how the decision is made (majority, super-majority, consensus, etc.); and who gets to know what and when. To have clarity on each stakeholder’s role, everyone must have an understanding of what their family and business governing documents have to say on these topics. Educating or re-educating everyone about their role in the process is an ongoing challenge.

If the governing documents do not adequately address “who” and “how,” further work should be done to add this structure. For example, larger shareholder groups might appoint a committee or ask their Family Council or Owners Council to engage with the board and management on the topics associated with “hold, sell or

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If I did not already have an investment in our company, is it a company in which I would choose to invest?

consolidate” and develop a recommendation for the full ownership group to consider. In some cases, updating governance documents is warranted. If stakeholders stick to their role, it is more likely that discussions will stay on track without becoming divisive and, at a minimum, all will be able to live with and support the outcome of the process.

Prepared Owners

An ownership group functions best while contemplating the question of “hold, sell or consolidate” when every member has a threshold level of knowledge about the relevant topics such as:

- The company’s business model and factors impacting value;
- The valuation methodology differences for internal transactions and external buyers;
- The financial performance of the company and how it is trending;
- The implications of pursuing a sale and not closing;
- The characteristics of a realistic offer, which has a reasonable likelihood of closing;
- The financial implications of holding and the financial implications of selling; and
- The nonfinancial implications of holding and the nonfinancial implications of selling.

Building this knowledge over time and in advance of when the question is called is one of the keys to an effective process. It also equips each person to productively participate in the dialogue.

Digging Deep

“Hold, sell or consolidate” discussions involve some soul searching by the ownership group as they move toward alignment on the future. Having some reflection questions for individuals to consider and then share their answers with the group helps everyone understand one another’s motivations and intentions. This understanding is an important step in achieving alignment on what the group wants and their expectations. Some individual reflection questions to consider include:

- What is our family’s purpose for continuing to own this business?
- Is our family the best owner of this business? Why or why not?
- Does my ownership in the company provide me with a source of pride and connection? Why or why not?
- What is my viewpoint about the future of the company and my future with the company?
- Under what circumstances might I consider selling my share of the business?
- Under what circumstances would I consider that selling the whole business is a good idea?
- Is there a clear connection between a better quality of life for myself and my immediate family and our involvement in our company? Why or why not?
- If I did not already have an investment in our company, is it a company in which I would choose to invest? Why or why not?
- Is the market and environment in which our company operates attractive for the future success of our company? Why or why not?

Summary

Successfully navigating through the discussion and decision process can strengthen the ownership group and be a positive result for the family and the business regardless of the eventual decision. It is likely inevitable that the question of “hold, sell or consolidate?” will arise at some point in the life of your family business. We encourage you to put a process in place to have this discussion ahead of the question being called. Doing so will best position your family and your business for successful continuity of family relationships and stewardship of your family’s wealth.

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Family Enterprise Superpowers Offer Strength in Tumultuous Times

By Amy Schuman

Family firms have special characteristics and abilities that make them stand out in a crowd. You might think of these qualities as family enterprise superpowers. During times of intense disruption, family firms can deploy their superpowers to build strength for the future — not just for themselves, but for all who depend upon them. As former Chicago Mayor Rahm Emanuel, paraphrasing Winston Churchill, advises, “You never let a serious crisis go to waste. And what I mean by that it’s an opportunity to do things you think you could not do before.”

Strong family firms succeed across the generations because of a commitment and ability to grow through adversity. They reinvent their businesses when industries change. They harvest and redeploy assets in family offices as good stewards of what they have been given. They create foundations to direct their wealth into important initiatives that benefit us all. These are the results of special characteristics shared by family enterprises around the world.

The following special characteristics (aka superpowers) characterize many family firms:

- Caring, involved presence in large and small communities, where the family enterprise supports local hospitals, parks, religious and arts organizations, as well as numerous individuals and families.
- Long-term time frame that leads family firms to perceive and pursue opportunities for superior performance that are overlooked or invisible to public firms forced to show short-term, quarter-to-quarter results.

- Legacy values guiding decision-making, which allows family enterprises to make decisions and take actions that place moral, ethical and human considerations as important priorities.
- Contrarian strategies that family firms pursue because they can perceive opportunities for service and innovation (and profitability!) that are invisible to others.
- Both/And thinking where family firms develop a superior ability to address stubborn problems and can find ways to prioritize both family and business, employee safety and critical operations, and care for the individual and care for the community.

Each of these superpowers offer tremendous support and wisdom in times of crisis.

Islands of Calm in a Storm of Uncertainty

When family firm leaders state their commitment to the long haul, it’s not just empty words, it’s their proven way of operating. When they say they will continue to be guided by their legacy values, they have decades of history backing up their claims. When they sit down to navigate seemingly impossible dilemmas, they have generations of experience addressing similar tensions successfully. It’s not the first or last time they will address seemingly unsolvable problems with novel approaches. In tough times, family enterprises, long known in their communities for bold and successful action, can be sources of inspiration and reassurance for a range of stakeholders.

Many of our clients are in critical industries such as food, infrastructure, housing and medicine, and they are continuing to operate during this crisis. We hear

that they are swamped and challenged beyond anything they've experienced before. Others have been forced to close their doors and send employees home without knowing when or how they will reopen. Many are committed to continuing to pay loyal staff as long as possible. Others have continued to provide health insurance to furloughed staff. Some have cut their own ownership benefits for the short-term in order to maintain operations and employment. Whatever the details of the situation, all of these organizations have stakeholders looking to them for information about what's coming next and how next steps will be managed.

In their words and actions, leaders and owners of family firms have the opportunity to be islands of caring and calm in this storm. As they take the podium, craft the email message, open the zoom call, or speak directly to anxious community members, these leaders can draw support and wisdom from their unique family enterprise superpowers.

Strong family firms succeed across the generations because of a commitment and ability to grow through adversity.

Some of the ways our clients have approached communications with critical stakeholders are listed here in the hope that you will benefit from the success of others.

- Establish a regular time and format for communications to create dependability in a time of unpredictability. Consider a weekly or even daily call or email to stakeholders. One of our clients has been holding morning stand-up meetings for 30 minutes at the start of each day, to provide updates and presence for a workforce working remotely for the first time.
 - Set a tone of calm, hope and practicality, combined with realism and honesty. Include stories and images as well as facts and numbers. Speak to people's head and hearts, in a way that is optimistically realistic. Inspire with lessons from your history that demonstrate proven competence.
 - Draw a clear line between your actions and your stated values. Although the connection is obvious to you, it may need to be made explicit to others.
- When communicating with family shareholders, emphasize the special advantages of being private and ways you are taking advantage of a long-term perspective. Share the actions and accomplishments of the leadership team, whether it's in the family office or operating business, to reassure owners, especially those who may be dependent on dividend streams to support their lifestyle.
 - Use existing family councils or other family governance structures in support of family communication and cohesion. Your family council can help organize ways to keep family members in closer touch with each other. Shareholders not active in the business or governance may feel great love for the enterprise and want to offer support from afar. The family council could take this opportunity to be a vehicle for family members to express their support and appreciation to business or family office leaders who are addressing the tough issues of this crisis.

Stay Strong to Stay Calm

You can only take advantage of your superpowers if you make time to take care of yourself and keep yourself strong, calm and healthy. It appears that this crisis is not a sprint, it is a marathon. Here are a few concrete actions we've seen others take to stay strong and positive for the long term:

- Prioritize physical exercise, regular meditation, time in nature and/or other spiritual practice so you can be stay grounded and strong for others.
- Even as you respond to emerging, urgent demands, do your best to preserve time and attention for the long term. Continue your work on important/not urgent issues such as mentoring future leaders, drawing lessons from the current situation and spending quiet time with loved ones.
- Whatever lifts your spirits, makes you smile or laugh — make time for it! Be on the lookout for small opportunities to pause and be grateful for everything that is going well at this moment. Make a quick phone call to someone who will give you an encouraging, loving response. Nurture your internal landscape with positive, energizing thoughts and images as much as possible.

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