

## Family Business Magazine E-Newsletter March 21, 2005

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**1. What drives shareholder value in family firms?** Even if you never intend to sell your company, creating shareholder value is the best way to ensure continued success, suggest Mary Adams and Michael Oleksak of Trek Consulting LLC, based in the Boston area. The first step in value creation, they note, is to make sure you understand the drivers of shareholder value. According to Adams and Oleksak, value drivers fall into four categories:

- **Strategic:** These have to do with your competitive environment, market share, changing client needs and technology. Where is your market headed? Are you on the winning end of the market?
- **Intrinsic:** These factors include financial results, business processes and assets. This is where you get credit for sound execution year after year.
- **Managerial:** While good management always enhances value, managers (even you) can't be irreplaceable. That's why having a management succession plan in place also increases value.
- **External:** These are the factors that are out of your control, including economic, financial, demographic and technology shifts. Though you can't control these, you should constantly monitor them so you don't get caught on the wrong end of a cycle.

Assessing these parameters, Adams and Oleksak point out, can help you determine whether you're doing what it takes to preserve value and build it for the future.

**2. Retirement survey: Most 'Boomers' plan to keep working.** A survey of nearly 3,500 "Baby Boomers" recently conducted for Merrill Lynch & Co. found that most respondents plan to keep working and earning in retirement, but will do so by alternating between periods of work and leisure. The study found that Boomers are rewriting the traditional "rules" of retirement:

- **Destination --** Then: The summer house. Now: New career.
- **Investment goal --** Then: Nest egg. Now: Sufficient funds to open a new business.
- **Safety net --** Then: Pension, Social Security. Now: Ability to alternate leisure with work.

- **Average day** -- Then: Plan some fun activities; catch up with friends and families. Now: What on earth is an "average day"?

(Source: Merrill Lynch & Co.)

See "Time to start thinking about your retirement," by Ellen Frankenberg, [\*Family Business Magazine\*, Spring 2002](#). Visit our website for [subscription information](#).

**3. Separating family and business issues.** A recent article in *Newsday* noted the importance of creating boundaries between personal and work time when family members work together. Family business consultant Fredda Herz Brown told *Newsday* that one married couple she knows drive to work in separate cars to help them shift gears. Another owner of a home-based family business said she puts on her coat and walks around the house three times to relieve tension during times of conflict. (Source: *Newsday*, March 6, 2005.)

**4. What to do before seeking a loan.** Before holding out their hand for a loan, family business owners should assess whether their company can effectively exploit that costly money. If so, company and family leaders should jointly develop a capital plan to determine how much is needed for corporate investment as well as shareholder liquidity over the next five to ten years. Various skills, not to mention some art, are needed to write a business plan that gets a loan, to prevent a banker from pulling credit and to win favor with megabanks. For more information, see [\*Financial Management of Your Family Company\*](#).

**5. Will open-book management work for you?** CEOs of private, family-owned companies tend to be circumspect about the information they disclose to outsiders. Their family's business, they reason, is nobody else's business. Yet some family business owners are bucking this tradition of secrecy. They're adopting a strategy known as open-book management, in which a company's key financial and operational indicators are shared with employees. When staff members understand the numbers that drive their incentive plans, proponents of open-book management assert, the employees stay focused on improving performance, cutting costs and reducing waste. Even so, open-book management isn't a good fit for every family company. For a discussion of the pros and cons, see the just-published Spring 2005 issue of [\*Family Business Magazine\*](#).