



Everyone wants to go to heaven, but nobody wants to die.

As the founder, you've invested blood, sweat and a lot of cash. Decades later, whether you're ready or not, you will inevitably exit the business - on your terms or not.

Research shows that over 10% of family business CEOs plan "to die with their boots on," meaning they have no intention of retiring. Another 23% intend to "stay involved," or "semi-retire." The problem with semi-retirement is that the succeeding generation is never sure whether the founder is "more" retired or "less" retired.

If an exit date or governance regarding retirement for the entire business cannot be established, then the founder's role, responsibilities and authority, and plan for the exit which will occur – either voluntarily or involuntarily – can be clarified through a **"Pre-Mortem"** exercise.

A "Pre-Mortem" exercise (also referred to as the "Hit by the Bus" exercise) includes the next generation owners and key non-family executives and advisors. The exercise addresses what will happen in the important areas of decision making, organizational structure, and strategy. Below, some discussion topics and questions are outlined in these areas.

Decision making - develop a detailed action plan outlining all of the decisions to be made and things to be done if the founder were to suddenly exit. This includes:

- A review of the existing estate plan and governance structure
- Identification of the specific individuals who will have clear responsibilities and accountabilities previously held by the CEO, and whether those responsibilities will short-term or long-term in duration
- A plan to communicate changes to internal and external audiences
- Specific areas requiring further preparation, for example - the development of stronger relationships with key vendors, advisors and clients

Organizational structure - focus on the organizational structure post-founder, placing special attention on the unique value that the founder plays within the company.

- Does the founder's skill set reside elsewhere within the company, or not at all? If not at all, then what?
- What is the management philosophy and will it change or remain the same? (Often the founder is very hands-on while the second generation relies more on professional management.)
- How will a change in management philosophy be implemented? How ready is our human capital to implement the change?

Strategy - discuss post-founder strategy.

- Will the second generation continue the existing strategy or develop a new direction?

This exercise also allows for open discussions about the impact of the founder's death on the next generation and executive management, ensuring that the short-term action plan does not place unrealistic expectations on the family or the company immediately following their devastating loss.

The founder should not be a part of the discussions, although can be consulted and should review the group's recommendations. Understandably, the founder's feelings about this type of exercise are mixed. Thinking about a planned or unplanned exit is unpleasant; however, knowing how others will manage those realities provides some confidence and comfort.

The results of the "Pre-Mortem" exercise are substantial. The process generates a list of key questions, issues and challenges that will serve as a roadmap for future meetings and decision making as well as increases the confidence and preparation of the next generation leadership. Executive management expectations, roles and authority will be clarified and better understood. The Founder will feel more confident that succession is achievable – if and when he/she is ready. Notably, the exercise is often the catalyst to an orderly and planned exit versus "dying with one's boots on."