Business Bigger than Me

**SUMMARY KEYWORDS**

business, supermajority, decisions, owner, dynasty trust, family, asset, multiple generations, commodity, path

**SPEAKERS**

Carey Berger

**Carey Berger** 00:00

Hello, I'm Carey Berger with The BSR Group. And this is the Crossroads program. Within the topic of multi-generational businesses, the question becomes, is this business bigger than any one of us? Or is this business still a commodity that serves the individual owner or owners? What I mean by that is this, as best told by a story. I've got a friend of mine in Pennsylvania, and the land that they have their business on was literally the same land, is literally the same land at which one of the ancestors shook hands with Benjamin Franklin, oh so many years ago. In their mind, and for that family, that core piece of the business is bigger than any one of them. That doesn't mean that you would literally sacrifice the family for it, but you may become kind of close. It better be a darn big deal before you make the decision to give up on the ownership of this asset. This is a family legacy. This is a family legend. In that situation, the design structures that would be put in place that are appropriate for a business that has reached that level - where it is bigger than any one owner or group of owners - are much more restrictive, and much more specific than in the opposite situation where the business is effectively an asset. It's, it's money. It's what it produces for you. And as much as it stops producing it, it'll be sold and something else will be bought. it's a commodity. That is a key distinction. If you are looking at going down the path of a multi-generational business, first you're going to look at, is this something that can't be preserved? Is this a business that is worthy? Is the family ready? Can we make this to the next generation? First question right there. Second question, Is this business already to a point where it is or needs to be bigger than any one owner or group of owners? If it is, then you're going to be looking at things such as dynasty trusts, such as tying restrictions to ownership, and how their owned to be able to ensure or dramatically encourage the continuation of that key asset, which is that legacy. Even there, I would strongly discourage, I didn't say it strongly enough, I would beg you that you do not make it impossible to be able to flex with whatever is happening in the real world at some point in the future. You create a dynasty trust that says this must always and this is it. I don't know about you all, but I can't predict that far in the future. I wouldn't have predicted 2020 two years before, would you? I don't know what's going to happen in another generation, or two, or three. What I would do though, is I would say that if you want to make these certain things, such as selling this piece of land where somebody shook hands with Ben Franklin oh so many years ago, it better be darn big deal. And we'll make it kind of difficult to do. So, for example, I can do these decisions simply as the runner, the operator of the business. I can do these other decisions with a simple majority of a group that we decide. But this one or these two, or these few big decisions, they require something like a supermajority. So, if there's 10 people maybe it requires eight people all agree. Now I would never encourage an absolute, unanimous 100% because that's just asking too much. But a supermajority it becomes those things. So, that's what you're looking for is when it is bigger than any one, you're going to be putting in place different tools. And those tools are going to be designed to recognize how important this thing is. Make it difficult to say to change, but not impossible. And usually you're going to be using some concept related to a supermajority. With that in mind. That is one of those questions as you go down the path of multiple generations. Let's talk about the other side real quick. So, it isn't bigger than us, then it's just a commodity. Get it to them, avoid as much pain as possible, and give them the freedom to live their life. That one sounds easier. I'm not sure which one actually is easier, but they're very different. And that's the key in making your own informed decisions here at the crossroads of business and family.