Communication Key Topics

**SUMMARY KEYWORDS**

role, business, next generation, balance sheet, important, company, accountant, multiple generations, sharing, key, finances, information

**SPEAKERS**

Paul Adams, Carey Berger

**Carey Berger** 00:00

Hello, I'm Carey Berger.

**Paul Adams** 00:02

And I'm Paul Adams.

**Carey Berger** 00:03

And we're The BSR Group, and we're still talking about communication. In this particular case, we're talking about sharing of important information on some of the key topics. we're going to bring it down to two broad topics. And obviously, the list is very long, but let's just pull out the big dogs. Finances, are we rich? Are we poor? Are we going to the bank? Where do we share numbers? What numbers do we share? How much information on finances do we share from a generational point of view? And when? Probably you aren't sharing that with your six-year-old, but should you share that with the person who has been working besides for the past 25 years, who happens to be your daughter or son? Two, change. That's a really big category. So, my health is bad, or we're looking at selling, or we're going to be doing this big, big decision. Those things again, are ones when do I share that? I'm considering the possibility that I should explore, like, big change, retiring, selling, etc. When do you share that? How do you share that? And that's part of communication.

**Paul Adams** 01:07

Yeah, what we often hear from people, especially the children, is, we've never even seen a balance sheet. We don't know how successful the company is. We were shared a few things, but not very much. And if those are the individuals who at some point are going to be taking over the business, it's really up to the ownership of that company to figure out how do you begin to bring them in? Do they work with other people in your company? If you have the CFO or someone your chief accountant? Or do they work directly with you, or whomever to begin to understand the financial implications that exist in the business?

**Carey Berger** 01:46

And that example, actually, you gave two really important words, number one, the children. For most of us, when no matter how old, our kids are, he or she still my baby. And it's hard not to see them as the kids or the children. That's a challenge. Number two is that if we're talking about, I've never seen the books, how do I know I want to be in this business? Well, we've always been able, you said earlier in our conversation, we've always be able to take fancy vacations. So, it must be okay. Don't know that we're actually splitting ourselves into a grave or that actually, that's just the tip of the iceberg, and it really is a great future. Don't know, because you haven't shared and when do you share? How much do you share? And it's a tough, tough, tough conversation. I have actually, we've created a program for, in some cases, where we work with current generations and next generations. And the topic is, am I rich yet? That sounds like such a silly topic. Oh, it's not silly at all. You know, what is this thing that you're asking me to maybe be a part of? How does that future look? How do I make an informed decision on that topic? And it really is a balancing act between that family and that business. Let's start with a couple of answers on this. The first place to start with is to say if this were a non-family member, and if I were asking them to take on the same responsibilities, what information would I share? You certainly have to meet that baseline. Just because this is my daughter or my son doesn't change the fact that they're in this key role, they need to have this information. What may scare them and may upset them may relate to something, that doesn't matter, we have to start with that baseline of what you would share with somebody in that, by their role. But then you get to the next piece, which is because they are my daughter or my son, and because I'm asking them to be the next generation leader, now you're asking yourself, okay, it's not just somebody who's in this role t'is somebody who I want to be in this next role. So, now the question becomes, how much information would I share, if I were trying to develop somebody, and encourage somebody to choose to take on the next role, and to be prepared to take it on when the time comes?

**Paul Adams** 03:53

Right. But it's even more than sharing, it's understanding. Because you can easily, let's use the balance sheet, as an example, hand a balance sheet to someone who has no real financial background and say, Well, here's a balance sheet. If you don't really know how to read it, and don't understand the implications of it, you've shared something, but it's meaningless. So, being that being a teacher in this is also an important part of what you do.

**Carey Berger** 04:22

Being a teacher or getting the help of a teacher. Work within your organization within other resources within your wholesale or your CFO, your CFO, or any number of places, but get the teaching you necessary. I've had many clients say, I'm not a real good mentor. I'm not a real good teacher. Let's find somebody who is and let's find a way to help you to get that support you need. Now beyond that, let's go ahead and assume that all right, well, we share the information, but I'm not letting that actually do anything with it. Well, that's probably, almost in many cases, more frustrating in terms of the next generation, then, maybe even more so than not knowing at all. So, I've never been allowed to talk to the banker, I've never been allowed to be a part of any of those conversations with the XYZ group. That is going to be another one of those questions. And again, it's similar discussion, you're going to ask yourself, how would I treat with outsider in this role? And how would I treat with somebody if I want to go to that next role? So, that's sort of the place we start for a lot of these big questions when it comes to a 'sharing this by communicating this' important topic. Change is the other one that's even harder, because now we're talking about, okay, well, do I share the fact that I've got a health issue? Do I share the fact that we do have to consider a possible sale of this business, or an expansion or contraction or some other key event, these big changes? Now, it's even if you, I wouldn't share it with the person in this role, because that's really above their pay grade. But maybe I do in this case, because now their family, it gets even more complicated. There, I'm going to go ahead, and again, we're going to have to say every case is different and specific. But how you address this, just start by recognizing it must be addressed.

**Paul Adams** 06:11

Right. And think about if you're going to expand the business, the implications of expansion on your current balance sheet, how does that change everything? Because where you are today, if you make that $7 or $8 million investment, or even less than a new store, what does that do? What does that do to cash flow? What does that do to wealth? And these are all things that are very much, they're very important to the people who are coming into the business. And it's something that they might not want to learn about on the fly. The more that you can bring them into it, and make them part of that, if they indeed are the people who are going to be taking over the business, the more important it is.

**Carey Berger** 06:54

So, in conclusion on this topic is the topic doesn't conclude. In conclusion on the topic, basically, what we're coming down to is that every situation is unique. Start with the bare minimum of what would the person get from that role, and what role they're going to be going to from there? Just be aware that this will probably be one of the seminal moments in the relationship with the next generation that will determine whether or not you have the opportunity to create a multi-generational business. If you can't get past this topic, it's highly unlikely you'll make it to multiple generations.

**Paul Adams** 07:34

That's very true.

**Carey Berger** 07:35

With that in mind, and with the hope that you get the support you need and that you're comfortable getting through this. We look forward to helping you here at the crossroads of business and family.

**Paul Adams** 07:44

Thank you.